

EXHIBIT I

OTC Code:3227



2012 Annual Report (TRANSLATION)

Taiwan Stock Exchange Market Observation Post System: <http://newmops.twse.com.tw>

PixArt annual report is available at <http://www.pixart.com.tw>

Printed on May 07, 2013

Notice to Readers:

The reader is advised that the annual report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

I 、Spokesperson :

Name : Mei-Wei Lo
Title : Chief Finance Officer
TEL : 886-3-579-5317
E-mail : ir@pixart.com.tw

II 、Deputy Spokesperson :

Name : Stella Tsai
Title : Deputy Manager, Finance & Accounting Dept.
TEL : 886-3-579-5317
E-mail : ir@pixart.com.tw

III 、PixArt Imaging Inc. Address & Telephone Number :

Headquarters Address : 5F, No.5, Innovation Road I, Hsinchu Science Park, Taiwan,
R.O.C. 300
TEL : 886-3-579-5317

IV 、Securities Dealing Institute:

Company Name : Horizon Securities Co., LTD.
Address : 3F, No.236, Sec. 4, Xinyi Rd, Taipei, Taiwan, R.O.C.
TEL : 886-2-2326-8818
Website : www.honsec.com.tw

V 、Names of Independent Auditors for Financial Statements in Recent Years, Their Office Name, Address, Website and Telephone Number :

Office : Ernst & Young
Names : Jia-Ling Tu 、Chin-Lai Wang
Address : 9F, No.333, Keelung Road, Sec. 1, Taipei, Taiwan, R.O.C.
TEL : 886-2-2720-4000
Website : www.ey.com/tw

VI 、Name of Overseas Securities Dealers and Methods to Inquire about Overseas Securities : Nill

VII 、PixArt Website : www.pixart.com.tw

ANNUAL REPORT 2012

TABLE OF CONTENTS

I. Letter to Shareholders	1
II. Company Profile	2
1.Date incorporated	2
2.Milestones	2
III. Corporate Governance	4
1. Organization	4
2. Directors and Supervisors and Officials	6
3. Corporate Governance Report	13
4. Disclosure of Auditing Fees	23
5. Changes in Independent Auditors	23
6. PixArt Chairman, President, manager (s) who is responsible for financial or accounting affairs working in the accounting firm of the appointed independent auditors or the accounting firm's related parties within the past year.....	23
7. Changes in shareholding of directors, supervisors, officers and major shareholders holding more than 10% shares for the preceding year to the date of printing of this annual report	23
8. The relationship between any of the Company's top ten shareholders	24
9. Long-Term Investment Ownership	25
IV 、 Capital and Shares	26
1. Capital and Shares	26
2. Corporate Bonds.	31
3. Preferred Stocks.....	31
4. GDR/ADR	31
5. Employee Stock Option	31
6. Status of New Shares Issuance in restricted stock of the Company for employees	32
7. Status of New Shares Issuance in Connection with Mergers and Acquisitions.	33
8. Execution status of FinancingV.Business Activities	34
1. Business Scope	34
2. Market and sales overview	38
3. Employees	42
4. Environmental spending disclosure	42

5. Labor relations	42
6. Important Contract.....	43
VI 、 Financial Information	44
1. Condensed Balance Sheet and Income Statement	44
2. Financial Analysis over the Last Five Years	47
3. Audit Committee’s Report	50
4. Financial Statements.....	51
5. Consolidated Financial Statements	102
6. The Effect of Insolvency of the Company and Affiliates on the Financial Status of the Company	168
VII. Review on Financial Status & Operating Results and Risk Management	169
1. Financial Status	169
2. Operation Results.....	170
3. Cash Flow Analysis	171
4. The Effect of Material Capital Expenditures on Financial Position and Operation	171
5. Direct Investment Policy, Reasons for Profit or Loss, Correction Plan and Investment Plan for the Coming Year.	171
6. Risk Management	171
7. Other Important Notices.	173
VIII 、 Special Notes	174
1. Summary of Affiliated Enterprises	174
2. Status of Private Placement of Securities	180
3. Acquisition or Disposal of PixArt’s shares by Subsidiaries	180
4. Other Necessary Supplements	180
5. Events regulated in Article 36-2-2 of the Securities and Exchange Laws that will materially affect shareholders’ equity or the share price	180

I. Letter to Shareholders

PixArt Imaging Inc. posted total revenue of NT\$3.3 billion in 2012, a 2.7% increase from 2011 (NT\$3.22 billion). The net income decreased by 43.6% to NT\$280 million from NT\$497 million in 2011. Earnings per share was NT\$2.2 in 2012 while return on equity was 5.0%.

The personal computer and computer mouse market experienced a decline in 2012 against 2011 as a result of the economic downturn and the increasing popularity of tablet computers and smart phones. In spite of a decline in the overall business, the Company was able to gain additional market share due to the departure of some competitors that were unable to sustain competition. As a result, sales for computer mouse products on the contrary have grown by 25% against the previous year. As for games, the overall revenue experienced a decline against the previous year in spite of the official launch of new-generation products. Due to the launch of new optical touch products which are currently being authenticated for operation under Windows 8, the sales for existing optical touch products showed a slow-down and as a result, revenue from the optical touch business declined against 2011. In general, the Company experienced only a modest growth in the overall revenue against 2011 due to the growth in the computer mouse products business being offset by the decline in the games and optical touch businesses. However, our profit margin has improved from 38.4% to 41.7% as a result of our effort in reducing costs and improving our asset portfolios. In response to the increase in our market share for the computer mouse market and to accelerate the launch of new products, we have expanded the R & D team in Taiwan as well as establishing business presence in Malaysia and the United States. As a result of our business expansion, our operating expenditure saw a significant increase against 2011, resulting in poorer profitability. We have maintained our pace in product and technological developments in spite of the less-than-expected profit performance. Besides launching new computer mouse and optical touch products, we have also launched several new man-machine interface products including touch control, ambient light sensor and capacitive touch and distance sensing devices. We expect these new products to fuel our business growth and hence improve our profitability.

The global economy is on the path of slow recovery based on recent economic statistics. However, we need to act with caution due to instabilities in the overall environment. We do not anticipate a bright outlook for the personal computer market but we trust that the computer mouse market will experience relatively sound growth. The games market is purely dependent on our clients' sales performance, which we hope are able to pick up the momentum soon. We also expect that the dedication of our entire team in the development of several new products may come to fruition this year with the official launch of the new products, which we hope are able to boost sales and profitability. We are committed to developing several man-machine interface products. We trust that there are abundant business opportunities for the new product market. This year, we will continue to devote our resources to the research and development of products and technology, improving customer satisfaction, reducing costs of production, and seamlessly integrating our resources to benefit the overall business and improve the Company's management efficiency. We will persist in our business approach and welcome any challenges with a steadfast attitude with the optimal goal of improving our competitiveness and operating performance. We hope our business will resume growth this year and we hope to maximize and returns and wealth of our shareholders.

We would like to thank the shareholders for their continued support and good will. We wish them continued health and happiness!

Chairman Sen-Huang Huang

II. Company Profile

1.Date incorporated

Jul 13, 1998

2.Milestones

Jul. 1998 Company was founded with a registered capital NTD 500 million

Apr. 1999 Acquired 100% ownership of Condorvision Technology, Inc. (renamed to PixArt Technology, Inc. later), an U.S. company specializing in CMOS Sensor design.

May. 1999 Obtained the permission to enter into Hsinchu Science Park from the Science-Based Industrial Park Administration.

Jul. 1999 Received grant for "Minimized CMOS Image Sensor Product Development" from the Small Enterprises R&D Project of Industrial Development Bureau of Ministry of Economic Affairs.

Jul. 2000 Successfully developed 0.35µm color/mono CIF Sensor.

Jan. 2001 Successfully developed 0.35µm color/mono VGA Sensor.

Apr. 2001 Successfully developed ultra-low power color/mono QQVGA

Nov. 2001 Received ISO9001:2000 certification with total quality system installation in place.

Dec. 2001 Successfully developed color/mono QQVGA with Twin-Turbo 8032 SOC chip.

Mar. 2002 Successfully developed the wired and wireless optical mouse chips.

Apr. 2002 Successfully developed 0.25µm 1.3 M pixel CMOS Image Sensor.

Oct. 2002 Stocks issued publicly.

Apr. 2003 Successfully developed CIF PC-Camera SOC IC.

Jul. 2003 Elected two Independent Directors and one Independent Supervisor

Jul. 2003 "QQVGA Sensor with Twin-TURB 08032 Micro Processor" received The Sixth Outstanding Photonics Award.

Jul. 2003 Listed as Emerging Stock on Greta stock market, under the ticker of 3227.

Aug. 2003 Successfully developed 0.25µm color/mono CSP VGA Sensor.

Sep. 2003 Successfully developed high-performance optical mouse chip.

Feb. 2004 Successfully developed 0.25µm 480*640 VGA Sensor

Feb. 2004 Successfully developed 0.25µm VGA YUV Sensor.

Apr. 2004 Successfully developed PS2 optical mouse SOC chip.

Jul. 2004 Successfully developed 0.18um, 1/3 inch, 1.3M pixel & 0.25um, 1/2 inch, 2.1M pixel CMOS Image Sensor chips

Jul. 2004 Successfully developed VGA PC-Camera SOC chip.

Sep. 2004 Successfully developed USB optical mouse SOC chip.

Sep. 2004 Successfully developed 0.18µm 1/3 inch, 3M pixel CMOS Image Sensor for camera phone devices.

Nov. 2004 Awarded "The 2004 R&D Accomplishment Award" by the Science-Based Industrial Park Administration.

Jan. 2005 Awarded "The 3rd Annual Golden Root Award" by Taiwan Industrial Technology Association.

Jan. 2005 Successfully developed multi-objects tracing chip for game platform application.

Jan. 2005 Successfully developed VGA DSP chip for mobile phone application.

Feb. 2005 Successfully developed PixArt's first laser mouse chip.

Mar. 2005 Successfully developed 1.3M pixel DSP chip for mobile phone application.

Jun. 2005 Awarded "The Eighth Outstanding Photonics Product Award" for 1/3 inch 3M pixel CMOS Image Sensor for mobile phone application.

Jun. 2005 Exclusively licensed for high-technology laser optical mouse and image tracing technology by OPDI, Denmark.

Dec. 2005 Awarded "The 12th Small & Medium Enterprises Innovation Award" for composite audio and video multimedia PC-Cam SOC IC by Ministry of Economic Affairs, R.O.C.

Mar. 2006 Introduced customized multi-objects tracing chip for Nintendo Wii.

May. 2006 Listed on GreTai security market, under the ticker of 3227.

Jun. 2006 Introduced 4T 0.3M CMOS Image Sensor. Successfully upgrade to 4T technology.

Jul. 2006 Shipping over 100 million pieces of optical mouse chip.

Jul. 2006 Concluded patent license agreement with Avago with respect to optical mouse related patents.

Sep. 2006 Awarded "The 14th Industrial Technology Advancement Award-Excellent Enterprise".

Dec. 2006 Received Certificate of Green Product Management System.

Mar. 2007 Introduced 4T 2M CMOS Image Sensor.

Mar. 2007 Introduced 0.18 μ m VGA PC-Cam SOC with built-in microphone.

Aug. 2007 Introduced PC-Cam USB 2.0 Controller.

Oct. 2007 Awarded "R&D Accomplishment Award 2007" by the Science-Based Industrial Park Administration.

Oct. 2007 Introduced 2M pixels DSP chip with Audio/Video codec for mobile phone application.

Dec. 2007 Accumulated sold optical mouse chips reached 200 million units.

Feb. 2008 Introduced small-form-factor Laser mouse.

Mar. 2008 introduced small-form-factor USB/PS2 Laser mouse SOC.

Apr. 2008 Introduced optical gaming mouse.

Jul. 2008 Mass production of NB Camera Sensor IC.

Sep. 2008 Introduced LED gaming mouse.

Sep. 2008 Introduced Optical Finger Mouse.

Jun. 2009 Introduced Optical Touch Sensor for Quanta Computer.

Jun. 2009 Licensed for patented touch technology from SMART Technologies.

Jun. 2009 Cooperation with customer on developing Distance Measure Sensor technology.

Jul. 2009 Introduced IR LED power-saving wireless mouse device

Dec. 2009 Successfully developed Human Sensing Device.

Mar. 2010 Introduced laser wireless mouse sensor with built-in charge pumper

May. 2010 Received encouragement grants for MEMS related R&D Project from New Leading Development Product Funds granted by Industrial Development Bureau

Dec. 2010 Achieved 1000 of the accumulated patent filing number

Jun. 2011 Introduced integrated mouse sensor with micro package technology

Aug. 2011 Introduced wireless mouse sensor with low power (<1.5mA)

Sep. 2011 Introduced an optical module utilized in gaming console

Nov. 2011 Awarded "The 1st Golden Laurel Awards – Best return on equity" by GTSM

Jan. 2012 Rank 34th for 2011 invention patent filing number among domestic corporations/organizations
Rank 50th for 2011 patent filing number among domestic corporations/organizations

Jun. 2012 Introduced compact gesture recognition IC, supporting various gestures.

Dec. 2012 Received encouragement grants for Health Care related R&D Project from New Leading Development Product Funds granted by Industrial Development Bureau.

Dec. 2012 Year 2012 sold optical mouse chips reached 200 million units.

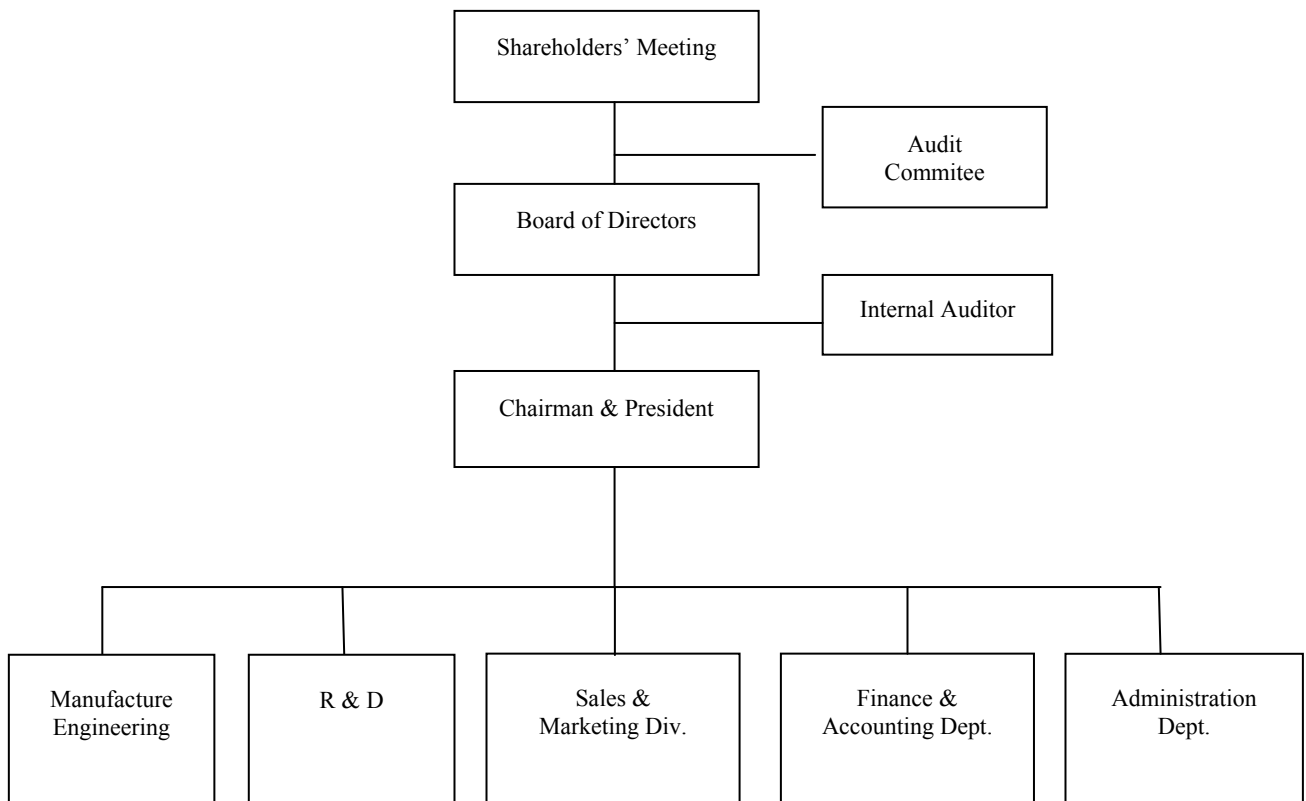
Dec. 2012 Introduced compact wireless mouse sensor with ultra-low power (<1mA)

Jan. 2013 Ranking 20th for 2012 invention patent filing number among domestic corporations/organizations
Ranking 29th for 2012 patent filing number among domestic corporations/organizations

III. Corporate Governance

1. Organization

(1) Organization Chart:



(2)Business of Key Departments :

Department	Business
Chairman & President	<ul style="list-style-type: none"> a. Plan the Company's business operations and all related matters b. Plan the Company's product development and all related matters, such as execution and coordination c. Oversee business operations from all departments and coordinate resource allocation for each department d. Responsible for legal matters, patent filing and management e. Responsible for IT system maintenance and management
Manufacture Engineering	<ul style="list-style-type: none"> a. Responsible for problems related to product engineering b. Responsible for matters related to manufacturing outsourcing c. Collect and analyze data on quality d. Handle customer complaints e. Implement and ensure quality control f. Shipment management
R & D	<ul style="list-style-type: none"> a. Responsible for new product and technology developments b. Responsible for ASIC product design and development for customers c. Responsible for CAD and layout process for product design
Sales & Marketing Div.	<ul style="list-style-type: none"> a. Product marketing and market development b. Marketing strategy and planning c. Gather market information d. Handle customer complaints
Finance & Accounting Dept.	<ul style="list-style-type: none"> a. Accounting and budget management b. Fund management c. Tax-related issues d. Stock-related affairs
Administration Dept.	<ul style="list-style-type: none"> a. Stipulate policies and procedures for human resources b. General procurement and general affairs. c. Employee training and recruitment d. Employee welfare management
Internal Auditor	<ul style="list-style-type: none"> a. Responsible for inspecting and evaluating the reliability and effectiveness of the Company's data on business operations and internal control b. Make suggestions for improvement for the betterment of business operations

2. Directors and Supervisors and Officials :**(1)Profiles of Directors and Supervisors****a. Director and Supervisors' information table**

Apr. 26, 2013 / Unit: Share

Title	Name	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Spouse and underage children shareholding		Shareholding under the names of other parties		Education and experience	Other positions in the Company and in other companies	Other executives, directors or supervisors who are spouse or relative within the second degree of kinship		
					shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Chairman	Sen-Huang Huang	2011 06 15	3 yrs	1998 07 02	1,918,686	1 48%	1,733,777	1 29%			-	-	-BS, Electronic Engineering, National Taiwan University -Director of MFG Div , UMC	-President, PixArt -Chairman of Yuan Xiang Investment Corp -Chairman of Yuan-Feng Investment Corp -Chairman of PrimeSensor Technology Inc -Chairman of Yuan Yao Technology Inc	-	-	-
Director	Victor Hsu	2011 06 15	3 yrs	2008 06 13	-	-	-	-	-	-	-	-	-MBA, The city University of the New York,USA - Manager of Finance Div , UMC	-Manager of Finance Div, Unimicron	-	-	-
Company represented by Victor Hsu	Unimicron Technology Corp	2011 06 15	3 yrs	2008 06 13	1,550,716	1 19%	1,372,116	1 02%	-	-	-	-	-	-	-	-	-
Independent Director	Ming-De Li	2011 06 15	3 yrs	2005 06 27	-	-	-	-	51,508	0 04%	-	-	-BS, Chemical Engineering, Chinese Culture University	-Chairman of Ying Jiu EnterpriseCorp and YingTong Enterprise Corp -Director of YingFa Industrial Corp	-	-	-
Independent Director	Chun Kuan	2011 06 15	3 yrs	2008 06 13	-	-	-	-	-	-	-	-	-MBA, Southern New Hampshire University -Director of Finance Div, UMC -Director of Finance Div, AUO	-CFO, KYEC -Independent director of IC Plus Corp -Independent director of Subtron Technology Corp -Independent director of ITE Tech Inc -Chairman of Yung Li Investment Corp -Director of Silicon Integrated Systems Corp -Supervisor of Materials Analysis Technology Inc	-	-	-
Independent Director	Wen-Chin Cheng (Note1)	2011 06 15	3 yrs	2003 06 19									-BS, Electronic Engineering, National Taiwan University -MS, Electronic Engineering, National Taiwan University	-CTO and Director of Lumens Digital Optics Inc	-	-	-

Note1 : Wen-Chin Cheng was appointed a director of the Company during June 19, 2003 to June 27, 2005.

Note2 : Current shareholding % is calculated based on 134,628,504 issued shares

Note3 : The Company has set an Audit Committee; therefore, Supervisor is not available

b. Major shareholders of PixArt's director or supervisor that is a juristic person shareholder

Apr.26, 2013

Director or Supervisor	Major Shareholder of the Director or Supervisor	Shareholding (%)
Fortune Venture Capital Corp.	United Microelectronics Corp.	100.00%
Unimicron Technology Corp. (The shareholdings are as of Aug. 8, 2012)	United Microelectronics Corp.	12.75%
	Cathay Life Insurance Co.,Ltd.	8.58%
	Siliconware Precision Industries Co., Ltd	4.97%
	Lab Insurance Fund	4.08%
	Nanshan Life Insurance Co.,Ltd.	2.83%
	Chunghwa Post Co., Ltd	2.18%
	Fubon Life Insurance Co., Ltd.	1.96%
	Labor Pension Fund (New System)	1.86%
	Public Service Pension Fund	1.82%
	Investment account of overseas fund A	1.60%

Major shareholders of director's or supervisor's major shareholder that is a juristic person

Name	Major Shareholders	Shareholding %
United Microelectronics Corp. (The shareholdings are as of Jul. 15, 2012)	JPMorgan Chase Bank, as representative of holders of the ADRs	8.87%
	Hsun Chieh Investment Co., Ltd.	3.41%
	Silicon Integrated Systems Corp.	2.44%
	Investment account of overseas fund B	2.12%
	Cathay Life Insurance Co.,Ltd.	1.33%
	Investment account of overseas fund C	1.14%
	Nanshan Life Insurance Co.,Ltd.	1.05%
	Investment account of overseas fund D	0.97%
	Investment account of overseas fund E	0.96%
	Trustee account of JP Morgan Chase Bank-ABP Pension Fund Investment	0.89%
Siliconware Precision Industries Co.,Ltd. (The shareholdings are as of Jul. 22, 2012)	Citibank in Custody for American Depositary Receipts of Siliconware Precision Industries Co.,Ltd.	11.90%
	Investment account of overseas fund F	5.58%
	Cathay Life Insurance Co.,Ltd.	3.94%
	Shin Kong Life Insurance Co., Ltd	2.33%
	Bough Lin	2.20%
	JPMorgan in custody for Capital World Growth and Income Fund Ltd.	2.14%
	Chunghwa Post Co.,Ltd.	2.00%
	Ku Ming Investment Co., Ltd	1.80%
	Investment account of overseas fund G	1.75%
	Investment account of overseas fund H	1.74%

c. Directors and Supervisors' Professional Qualifications and Independence Analysis :

Qualifications Name	With five or more years of experience and the following professional qualifications			Independence Status (Note 2)										Number of Companies also Serves as Independent Director for
	Lecturer or above of business, law, finance, accounting or other subject related to company activity in a junior college or above	Examination of National Examination in Corporate Business Related	Qualification of Justice, Procurator, Attorney, CPA, Specialist or Technician of	1	2	3	4	5	6	7	8	9	10	
Sen-Huang Huang			✓				✓	✓	✓	✓	✓	✓	✓	0
Victor Hsu (Note 1)			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Ming-De, Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chun Kuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Wen-Chin Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1 : The representative of Unimicron Technology Corp.

Note 2 : For those directors and supervisors who match the condition listed below during and two years before assuming period, "✓" is marked in the appropriate space.

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, underage children, or held by the person under others' names, in an aggregate amount of 1 % or more of the total number of issued shares of the Company or ranking in the top 10 in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law,
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law. °

(2) Managers' Information

Apr. 26, 2013 / Unit: Share

Title	Name	Date appointed	Shareholding		Spouse and underage children shareholding		Shareholding under the title of a third party		Experience & Education	Serves concurrently as	Managers who are spouse or second-degree relative		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Sen-Huang Huang	1998.06.01	1,733,777	1.29%	—	—	—	—	-BS, Electronic Engineering, National Taiwan University -Director of MFG Div , UMC	-Chairman of Yuan Xiang Investment Corp -Chairman of Yuan-Feng Investment Corp -Chairman of PrimeSensor Technology Inc -Chairman of Yuan Yao Technology Inc	—	—	—
Vice President	Wen-Cheng, Yen	2008.02.26	363,904	0.27%	—	—	—	—	-Ph.D of Electronic Engineering, National Chiao Tung University -R&D Vice Director, Fitipower Integrated Technology Inc	-Director of PrimeSensor Technology Inc	—	—	—
Vice President	Ming-Tsan Kao	2008.12.16	248,364	0.18%	—	—	—	—	-MS, Electronic Engineering, San Clara University , USA - Manager of R&D, Imagia Technology Co , Ltd	—	—	—	—
Director	Wei-Chung, Wang	2011.03.24	105,947	0.08%	—	—	—	—	-MS, Mechanical and Nuclear Engineering ,National Sun Yat-sen University -Senior director of R&D,Advanced Semiconductor Engineering, Inc	-Director of Yuan Yao Technology Inc	—	—	—
Chief Finance Officer	Mei-Wei Lo	2007.07.27	121,258	0.09%	—	—	—	—	-MBA, National Chengchi University -Administration Dept Vice Director,Aimtron Technology Corp	-Director of Yuan Xiang Investment Corp -Director of Yuan-Feng Investment Corp -Director of PrimeSensor Technology Inc -Director of Yuan Yao Technology Inc	—	—	—

Note: Shareholding % is calculated based on 134,628,504 issued shares .

(3) Remunerations Paid to Directors, Supervisors, President and Vice President :

a. Remunerations Paid to Directors :

Dec.31, 2012 ; Unit: K Shares / NT\$1,000

Title	Name	Remunerations paid to directors								(A+B+C+D) as % of 2009 Net Income		Compensations earned as employee of PixArt or affiliates of PixArt												(A+B+C+D+E+F+ G) as % of 2012 Net Income		Compensation from Other PixArt Investee Companies
		Salary(A)		Retirement Pension (B) (Note 4)		Compensation from profit sharing (C) (Note 5)		Allowance(D) (Note 6)				Salary, bonus and etc. (E)		Retirement Pension (F) (Note 4)		Employee profit sharing (G) (Note 5)				Employee Stock Option (H)		Restricted stock for employees (I)				
		PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt		Cash	Stock	Cash	Stock	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	
Chairman / President	Sen-Huang Huang	0	0	0	0	2,481	2,481	117	117	0.93%	1.05%	4,410	4,410	62	62	1,341	0	1,341	0	227	227	42	42	3.0%	3.4%	None
Director	Tzu-Na Wu (Note1)																									
Company represented by Tzu-Na Wu	Fortune Venture Capital Corp (Note 1)																									
Director	Sheng-Cheng Chou(Note 2)																									
Company represented by Sheng-Cheng Chou	Novatek Microelectronics Corp (Note 2)																									
Director	Victor Hsu(Note 3)																									
Company represented by Victor Hsu	Unimicron Technology Corp (Note 3)																									
Director	Ming-De Li																									
Director	Chun Kuan																									
Director	Wen-Chin Cheng																									

Scale of remunerations to directors of the Company	Name of Directors			
	Compensations paid to directors (A+B+C+D)		Compensations paid to directors (A+B+C+D+E+F+G)	
	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt
Less than NT\$ 2,000,000	Note 7	Note 7	Fortune Venture Capital Corp. 、Novatek Microelectronics Corp. 、Unimicon Technology Corp 、Ming-De Li 、Chun Kuan 、Wen-Chin Cheng	Fortune Venture Capital Corp. 、Novatek Microelectronics Corp. 、Unimicon Technology Corp 、Ming-De Li 、Chun Kuan 、Wen-Chin Cheng
NT\$ 2,000,000~NT\$ 5,000,000	-	-	-	-
NT\$ 5,000,000~NT\$ 10,000,000	-	-	Sen-Huang Huang	Sen-Huang Huang
NT\$ 10,000,000~NT\$ 15,000,000	-	-	-	-
NT\$ 15,000,000~NT\$ 30,000,000	-	-	-	-
NT\$ 30,000,000~NT\$ 50,000,000	-	-	-	-
NT\$ 50,000,000~NT\$ 100,000,000	-	-	-	-
NT\$ 100,000,000 above	-	-	-	-
Total	-	-	-	-

Note 1 : The representative of Fortune Venture Capital Corp , director's remuneration is entitled to Fortune Venture Capital Corp

Note 2 : The representative of Novatek Technology Corp , director's remuneration is entitled to Novatek The director's remuneration is calculated based on the period of time being elected within the year from June 15, 2011

Note 3 : The representative of Unimicon Technology Corp , director's remuneration is entitled to Unimicon

Note 4 : PixArt didn't pay pension to any director in 2011 The numbers shown in the table were what PixArt appropriated for retirement in 2012

Note 5 : Director's remuneration has been approved by the Board of Directors but not by Shareholders' Meeting yet

Note 6 : Director allowance of NT\$117,000 was transportation allowance

Note 7 : All the Director remunerations belong to this scale

b. Remunerations Paid to Supervisors :

The Company has set an Audit Committee; therefore, Supervisor is not available.

c. Remunerations Paid to President and Vice President :

Dec.31.2012 ; Unit: K Shares / NT\$1,000

Title	Name	Salary(A)		Retirement Pension (B) (Note 1)		Salary, bonus and etc (C)		Employee profit sharing(D) (Note 2)				(A+B+C+D) as % 2008 Net Income		Employee Stock Option		Compensation from Other PixArt Investee Companies
		PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	PixArt		Consolidated Entities of PixArt		PixArt	Consolidated Entities of PixArt	PixArt	Consolidated Entities of PixArt	
								Cash	Stock	Cash	Stock					
President	Sen-Huang Huang	9,890	9,890	260	260	1,152	1,152	3,062	0	3,062	0	5.13%	5.81%	382	382	None
Vice President	Wen-Cheng, Yen															
Vice President	Ming-Tsan Kao															

Scale of remunerations to president and vice president of the Company	Name of president and vice president	
	PixArt	Consolidated Entities of PixArt
Less than NT\$ 2,000,000	-	-
NT\$ 2,000,000~NT\$ 5,000,000	Wen-Cheng, Yen 、 Ming-Tsan Kao	Wen-Cheng, Yen 、 Ming-Tsan Kao
NT\$ 5,000,000~NT\$ 10,000,000	Sen-Huang Huang	Sen-Huang Huang
NT\$ 10,000,000~NT\$ 15,000,000	-	-
NT\$ 15,000,000~NT\$ 30,000,000	-	-
NT\$ 30,000,000~NT\$ 50,000,000	-	-
NT\$ 50,000,000~NT\$ 100,000,000	-	-
NT\$ 100,000,000 above	-	-
Total	-	-

Note 1 : The numbers shown in the table were what PixArt accrued, not paid, for retirement in 2012.

Note 2 : 2012 Earnings distribution proposal has been approved by the Board of Directors but hasn't been approved by Shareholders' Meeting as of the date of printing of this annual report. The numbers are estimated bonuses.

d. Employee Bonus Paid to Officers: (Note)

Dec.31.2012 ; Unit: K Shares / NT\$1,000

Title	Name	Stock bonuses	Cash bonuses	Total	% of 2008 net income
President	Sen-Huang Huang	0	4,041	4,041	1.44%
Vice President	Wen-Cheng ,Yen				
Vice President	Ming-Tsan Kao				
Director	Wei-Chung, Wang				
Chief Finance Officer	Mei-Wei Lo				

Note : 2012 Earnings distribution proposal has been approved by the Board of Directors but hasn't been approved by Shareholders' Meeting as of the date of printing of this annual report. The numbers shown above are estimated bonuses.

(4). Comparison of compensation for the Company's directors, supervisors, president, and vice-present in the past two years and details of the compensation's policy, standards, components, process, and its relationship to performance

Compensation for the Company's directors, supervisors, president, and vice-present are paid for by the Company. There is no additional compensation given to them from any of the subsidiaries in the Company's consolidated financial statements. Total compensation accounted for 4.97% and 6.06% of the Company's net income in 2011 and 2012, respectively. Compensation to the directors and supervisors include transportation allowance and remunerations from earnings distribution. Transportation allowance given by the Company to its directors and supervisors is in line with the industry average and is paid out according to actual attendance to the Board of Directors meetings. The remunerations from earnings distribution is given in accordance to the Company's Articles of Incorporation, which is first proposed by the Board of Directors and approved at the Shareholders' Meeting and takes into account the actual number of days served. Compensation to the president and the vice-president include salary, bonus, employee stock bonuses, employee stock options, etc, and is determined based on the position, responsibility, the Company's profitability, and industry norms.

3. Corporate Governance Report :**(1) Board of Directors' Meeting Status :**

The Board of the Company has held 6 meetings in 2012, the attendance of the directors and supervisors are shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Notes
Chairman	Sen-Huang Huang	6	0	100 %	
Director	Fortune Venture Capital Corp. Representative : Tzu-Na Wu	4	1	67 %	
Director	Unimicron Technology Corp. Representative : Victor Hsu	6	0	100 %	
Director	Novatek Microelectronics Corp Representative: Sheng-Cheng Chou	3	0	100%	Term expired on Jul 27, 2012 number of attendance with non-
Independent Director	Ming-De Li	6	0	100 %	
Independent Director	Chun Kuan	6	0	100 %	
Independent Director	Wen-Chin Cheng	6	0	75%	

Other disclosures :

- (I). If any Independent Director objects to or expresses reservations about the matters listed in Article 14-3 of the Securities and Exchange Act., the following items shall be recorded: date of Board of Directors' meeting, type of meeting, proposal, board resolution and the company's response to the opinion(s): no such occurrence.
- (II). If a Director recuses himself from a proposal due to conflict of interest, the following items shall be recorded: name of Director, proposal, reason for recusal and voting record: no such occurrence.
- (III). Goals for strengthening Board of Director accountability (such as establishing an audit committee, improving transparency, etc): The Company has set up the Audit Committee and Compensation Committee. Both committees are formed by independent directors in order to strengthen the Company's corporate governance. Details are listed under Corporate Governance Report on page 13-15 of this Annual Report.

(2) Audit Committee Status or Status of Supervisor's Participation in Board of Directors' Meeting

Audit Committee has held 5 sessions in 2012, the attendance of independent directors are shown in the following table:

Title	Name	Attendance in Person	Proxy	Attendance Rate (%)	Note
Independent Director	Ming-de Li	5	0	100%	Convenor of Audit Committee
Independent Director	Chun Kuan	5	0	100%	
Independent Director	Wen-Chin Cheng	5	0	100%	

Other disclosures:

- (a) If any matter listed in Article 14-5 and Audit Committee did not approve but more than 2/3 of directors agreed with, the following items shall be recorded: date of Board of Directors' meeting, type of meeting, proposal, board resolution and the company's response to the opinion(s): no such occurrence
- (b) If an independent director recuses himself from a proposal due to conflict of interest, the following items shall be recorded: name of Director, proposal, reason for recusal and voting record: no such occurrence.
- (c) Communications between independent directors and internal auditor and accountant:
The Company's internal auditor communicates with Audit Committee about results of auditing periodically. Internal auditor also reports to Audit Committee during quarterly meeting of Audit Committee. The Audit Committee is able to communicate with accountants at any time if they find it necessary.

(3) Corporate Governance Status

Items	Status	The Reasons for the Differences between the Company's Governance and Recognized Corporate Governance
<p>1. Shareholding Structure & Shareholders' Rights</p> <p>(1) The way of handling shareholders' suggestions and disputes</p> <p>(2) How the Company regularly monitors the list of key shareholders who have management control of the Company, or those who have ultimate control of key shareholders:</p> <p>(3) Risk management mechanism and firewall between the Company and its affiliates</p>	<p>(1) The Company's Spokesperson and deputy spokesperson are in charge of the related issues.</p> <p>(2) Related matters are handled by professional stock agency and the Company's stock agency contact persons.</p> <p>(3) Business conducted between the Company and its related parties are regulated by related operating procedures in order to comply with risk management.</p>	No material difference
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of external auditors' independence</p>	<p>(1) The company has elected three independent directors.</p> <p>(2) The Company's auditor is one of four major international auditing firms. The auditor's independence is evaluated regularly and a policy is in place to change the auditor every five years.</p>	No material difference
3. Communication channel with stakeholders	The Company has in place designated personnel and e-mail accounts to handle such issues.	No material difference
<p>4. Information Disclosure</p> <p>(1) Establishment of a corporate website to disclose information regarding the Company's financials, business, and corporate governance status</p> <p>(2) Other information disclosure channels (e.g. maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)</p>	<p>(1) The Company makes up-to-date financial disclosures through its bilingual website at www.pixart.com.tw.</p> <p>(2) The Company has designated personnel for information gathering and disclosure. A professional spokesperson is also in place to conduct presentations to institutional investors and make full disclosures on the Company's website in a timely manner.</p>	No material difference
5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Company has set up the Audit Committee and Compensation Committee on June 15, 2011 and December 20, 2011 respectively. Both committees are formed by independent directors in order to strengthen the Company's corporate governance. Details are listed under Corporate Governance Report on page 13-15 of this Annual Report.	No material difference
6. If the Company has established corporate governance policies based on TWSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementation: The Company has not established specific corporate governance policies but has begun implementation in accordance to principles of corporate governance and related rules and regulations.		
<p>7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g. employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the purchase of liability insurance for directors and supervisors):</p> <p>(1) The Company has established the Employee Welfare Committee and has a retirement system. It also encourages employees to attend various training courses and seminars both domestically and abroad. The Company also provides regular health checks and group insurance to its employees. The Company values labor relations and provides equal employment opportunities</p> <p>(2) The Company has designated personnel for Investor Relations. The Company's website provides related information for investor. Quarterly investor conferences are held to disclose the Company's business operations to investors.</p> <p>(3) The Company maintains good communication with its customers and suppliers.</p> <p>(4) Continuing education for Directors and Supervisors: The Company's Directors and Supervisors all have professional backgrounds. The Company provides information on continuing education to its Directors and Supervisors for reference.</p> <p>(5) The Company has purchased liability insurance for its Directors and Supervisors.</p>		

Items	Status	The Reasons for the Differences between the Company's Governance and Recognized Corporate Governance
8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: Not Applicable.		

(4) Operations of the Company's Compensation Committee :

a.Member of Compensation Committee :

Title	Qualifications Name	With five or more years of experience and the following professional qualifications Lecturer or above of business, law, finance, accounting or other subject related to company activity in a junior college or above Specialist or Technician of National Examination in Corporate Business Related Qualification of Justice, Procurator, Attorney, CPA, Work experience in business, law, finance, accounting or others related to company activity	Independence Status (Note 2)								Number of Companies also Serves as Independent Director for	Note
			1	2	3	4	5	6	7	8		
Convenor	Ming-De, Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Independent Director
Member	Chun Kuan	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Independent Director
Member	Wen-Chin Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Independent Director

Note : For those directors and supervisors who match the condition listed below during and two years before assuming period, "✓" is marked in the appropriate space.

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, underage children, or held by the person under others' names, in an aggregate amount of 1 % or more of the total number of issued shares of the Company or ranking in the top 10 in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- (8) Not been a person of any conditions defined in Article 30 of the Company Law,

b. Compensation Committee has held 3 sessions in 2012, the attendance of independent directors are shown in the following table:

Title	Name	Attendance in Person	Proxy	Attendance Rate (%)	Note
Convenor	Ming-de Li	5	0	100%	Independent Director
Member	Chun Kuan	5	0	100%	Independent Director
Member	Wen-Chin Cheng	5	0	100%	Independent Director

Other disclosures:

- 1.The Board of Directors shall state clearly the session, time and date of the board meeting, details of the agenda item, results of board resolutions and handling of the committee recommendations (if the remuneration passed by the Board of Directors is more favorable to the recipient than the recommendation of the committee, the details of and reasons for the differences shall be specified in the Board meeting minutes) to decline or modify a recommendation made by the Remuneration Committee: None.
- 2.If any member of the remuneration committee has expressed objections to or had reservations about an agenda item that were included in the records or made in writing, the details of the session, time and date of the remuneration committee meeting, details of the agenda item, opinions and handling of opinions of all committee members: None.

(5) Corporate Social Responsibility :

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>1. Exercising Corporate Governance</p> <p>(1)The company declares its corporate social responsibility policy and examines the results of the implementation.</p> <p>(2)The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p> <p>(3)The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</p>	<p>The Company has yet to formulate our own corporate social responsibility standards. However, our corporate governance practices, our actions taken to fulfill our corporate social responsibilities and our consistent efforts in educating our employees of our corporate concept are in fact being carried out in accordance with the best corporate social responsibility practices governing companies listed on the stock exchange and Gre-tai securities exchange.</p>	<p>The corporate social responsibility principles will be established based on the Company’s business needs. No material difference.</p>
<p>2. Fostering a Sustainable Environment</p> <p>(1)The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.</p> <p>(2)The company establishes proper environmental management systems based on the characteristics of their industries</p> <p>(3)The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.</p> <p>(4)The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.</p>	<p>(1) The Company is dedicated to reducing corporate wastes and recycling resources to conserve scarce resources and ensure the hygiene of the environment.</p> <p>(2) The Company has been certified to the ISO9000:ISO2000 quality assurance standards. Our manufacturing process also meets the EU environmental protection standards, WEEE and ROHS.</p> <p>(3) General Affairs Dept. is responsible for supervising and managing the Company’s environmental protection affairs to ensure appropriate environmental protection practices.</p> <p>(4) The Company constantly carries out the various carbon reduction measures as part of our initiative to fulfill our corporate social responsibilities.</p>	<p>No material difference.</p>

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>3. Preserving Public Welfare</p> <p>(1)The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures</p> <p>(2)The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.</p> <p>(3) The Company has established a mechanism to regularly communicate with employees and inform employees by appropriate methods of any changes in the company’s operations that may significantly impact the employees.</p> <p>(4)The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(5)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(6)The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.</p>	<p>(1) The Company implemented the various policies and systems in line with the Labor Standards Law and other relevant regulations to protect the legal rights of our employees.</p> <p>(2) The Company organizes complimentary health checkup for employees on an annual basis and conducts training on workplace safety and health education.</p> <p>(3) The Company has established a communication hotline and email account to handle and resolve employee comments and suggestions in order to fully implement the labor management mechanism. The e-Notice Board also serves as an important medium for making important announcements. The objective is to ensure total communications between the Company and our employees.</p> <p>(4) We maintain sound communications with our clients and offer transparent and effective customer complaint procedures in relation to our products and services.</p> <p>(5) Raw materials provided by our suppliers must meet the regulatory environmental protection standards. The Company’s inspection personnel carry out strict screening of our supplies to ensure safety of our products and compliance with environmental protection regulations.</p> <p>(6) The Company offers sponsorship to social welfare organizations from time to time to support community development and related social welfare events.</p>	No material difference.
<p>4. Enhancing Information Disclosure</p> <p>(1)The measures of disclosing relevant and reliable information relating to their corporate social responsibility.</p> <p>(2)The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p>	<p>(1) The Company discloses the relevant information on the website of the Market Observation Post System and our official website.</p> <p>(2) The Company did not prepare a CSR report but has disclosed the relevant CSR information on our official website and on the website of the Market Observation Post System.</p>	No material difference.
<p>5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation:</p> <p>The Company has yet to formulate our own corporate social responsibility standards. However, our</p>		

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
corporate governance practices, our actions taken to fulfill our corporate social responsibilities are in fact being carried out in accordance with the best corporate social responsibility practices.		
6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.) : Please refer to the Implementation Status.		
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: The Company has received ISO9000, ISO2000 certification with total quality system installation in place.		

(6) Ethical management and adopted measures:

Item	Implementation Status	Departure from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such departure
<p>1. Formulation of ethical management policy and measures</p> <p>(1) The company states clearly its ethical management policy and the promises of the Board of Directors and management to implement the ethical management practices in its internal regulations and external documents.</p> <p>(2) The company’s formulation of a policy to forestall unethical conduct (“prevention program”) and implementation of the operational procedures, code of conduct and training programs contained in the policy.</p> <p>(3) When establishing the prevention program, the company’s adoption of preventive measures against the offering and acceptance of bribes and illegal political donations to target business activities within their business scope which may be at a higher risk of being involved in an unethical conduct.</p>	<p>(1) The Company has yet to formulate the “Ethical Management Principles”. However, the Company’s Board of Directors and management ensure that they fulfil their duty of care and adopt a highly prudent approach in performing their duties.</p> <p>(2) The Company has yet to formulate the “Code of Ethical Conduct”, however, the Company endeavours to prevent ethical conducts in accordance with the spirit of the “Code of Ethical Conduct”.</p> <p>(3) The Company has designated the Legal Department to review contracts to ensure legality of any agreements entered into with the counterparty. The Audit Department conducts audits from time to time and continually follows up the status of improvements.</p>	<p>The corporate social responsibility principles will be established based on the Company’s business needs. No material difference.</p>

Item	Implementation Status	Departure from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such departure
<p>2. Facilitation of Ethical Management</p> <p>(1) The Company shall avoid having any business dealings with trading counterparties who have any records of unethical conducts; and stipulate clearly the ethical conduct provisions in the business agreement.</p> <p>(2) The operation of the Company's department exclusively or jointly responsible for implementing ethical management practices and supervision by the Board of Directors.</p>	<p>(1) The Company's Legal Department reviews business agreements entered into with the Company's trading counterparties to prevent any business dealings with trading counterparties who have any records of unethical conducts.</p> <p>(2) The Company has put in place the Audit Department directly reporting to the Board of Directors. The Audit Department is responsible for auditing any violation of ethical conduct within the company. Directors and managerial officers of the Company are held accountable for their own ethical management responsible and report directly to the Shareholders' Meeting or Board of Directors for fulfilment of such responsibilities.</p>	No material difference.
<p>(3) The company's formulation of a policy to prevent conflict of interests and offering of appropriate means for explanation of the implantation of such policy.</p> <p>(4) Implementation of effective accounting systems and internal control systems established for the purpose of carrying out ethical management and the status of audits conducted by internal auditors.</p>	<p>(3) The Company has put in place the principles governing recusal of directors in conflict-of-interest situations in our "Rules for Board of Directors Meetings". If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, the director concerned may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>(4) The Company has established effective accounting systems and internal control systems to ensure ethical management practices. Our internal audit personnel conduct periodic audits on the status of implementation.</p>	
Functioning of a disciplinary and complaint system to handle violation of the ethical corporate management rules.	The Company places high emphasis on promoting ethical conduct. Employees are encouraged to report any suspected or confirmed violation of the ethical conduct principles to managerial officers, internal audit supervisors, the audit committee or other appropriate personnel.	No material difference.
<p>4. Enhancement of Information Disclosure</p> <p>(1) Disclosure of information relevant to the company's ethical management practices on the its website.</p>	(1) The Company discloses information such as the company's overview, profile and financial information on our corporate website (www.pixart.com.tw) (available in	No material difference.

Item	Implementation Status	Departure from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such departure
(2) Disclosure of information by other means (such as construction of an English website, appoint designated staff to be responsible for collection of the company's information and disclosure on the company's website etc).	Chinese/English) and makes a full, appropriate and timely disclosure of our information to the Competent Authority and the general public through the Market Observation Post System. (2) The Company has designated personnel for information gathering and disclosure. A professional spokesperson is also in place to conduct presentations to institutional investors and make full disclosures on the Company's website in a timely manner.	
5. Description of any departure from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for any such departure if the company's Ethical Management Principles were formulated in accordance with the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies": The Company has yet to put in place our own Ethical Management Principles. We shall plan to put in place the relevant policy and systems according to business requirements.		
6. Other important information (such as the promotion of the company's commitment to ethical management and policy to the company's trading counterparties, invitation to trading counterparties to attend training, and review of and revisions to the company's Ethical Management Principles) beneficial in helping others understand the status of implementation of the company's ethical management practices: (1) The Company views compliance with the Company Act, Securities and Exchange Act, and rules and regulations governing TSEC/GTSM listed companies as fundamental to carrying out ethical management practices, and strictly prohibits unethical conduct with trading counterparties. (2) The Company's Internal Controls System contains "Insider-trading Management Procedures". Directors, managerial officers and employees or anyone who has gained access to significant internal information of the company due to his or her position, job responsibilities or control relationship, shall strictly comply with the relevant securities and exchange regulations to prevent insider-trading. The Company shall adopt the appropriate disciplinary and legal measures against anyone who has unlawfully disclose the company's significant internal information to a third party thus resulting in the Company's loss of assets or benefits.		

(7) Corporate governance best-practice principles shall be disclosed :

The Company has not established corporate governance best-practice principles but may do so when the need arises.

(8) Other important information to further understand the Company's corporate governance: None.

(9) Status of Internal Control System

1. Statement of Internal Control :

PixArt Imaging Inc.
Statement of Internal Control

Date : Mar.19, 2013

PixArt Imaging Inc. has conducted internal audit in accordance with its Internal Control Regulation covering the period from January 1 to December 31, 2012, and hereby declares as follows:

- I. The Company acknowledges and understands that the establishment, enforcement and preservation of internal control system are the responsibility of the Board and the managers. The Company has already established such system. The purpose of the system is to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
- II. Internal control system has its limitation, no matter how perfect the design is. As such, effective internal control system may only reasonably ensure the achievement of the three aforementioned goals. Further, the environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the Company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The Company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1. Control environment, 2. Risk Evaluation, 3. Control Operation, 4 Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
- IV. The Company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Based on the aforementioned audit findings, the Company holds that within the aforementioned period its internal control procedures (including the procedures to monitor the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control, are effective. The aforementioned goals can be achieved with reasonable assurance.
- VI. This statement shall form an integral part of the Company's annual report and prospectus and will be announced publicly. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement has been approved by the Board of Directors on Mar 19, 2013 with 5 directors in session under unanimous consent.

PixArt Imaging Inc.

Chairman : Sen-Huang Huang

President : Sen-Huang Huang

2. Disclose the Review Report of Independent Auditors if they are retained for reviewing the Internal Control System: None.

(10) Description of Violations/Infringement of Regulations and the Company's Response: None.

(11) Major Resolutions of the Shareholders' Meeting and Board meeting:

1. Major resolutions of Shareholders' meeting for the period from year 2011 to the date of printing of this annual report:
 - a. Acknowledged 2011 Business Report, Financial Statements and Earnings Distribution proposal.
 - b. Approved the proposal for 2011 capitalization of retained earnings.
 - c. Approve the proposal for issuing new restricted stock for employees
 - d. Approved the amendments for the Company's "Procedures Governing the Acquisition or Disposal of Assets".
2. Major resolutions of the Board of Director's Meeting for the period from year 2011 to the date of printing of this annual report :
 - a. Approved 2011 business report, financial statements, earnings distribution proposal and capitalization of earnings.
 - b. Approved first half of 2012 Financial Statements.
 - c. Approved 2012 business report, financial statements, earnings distribution proposal.
 - d. Approved the proposal to distribute cash from capital surplus.
 - e. Approved the various exemptions and options upon "Initial Adoption of the International Financial Reporting Standards" and determination of the accounting policies.
 - f. Approved the proposal for retroactive handling of public issuance and OTC listing of ordinary shares privately placed in 2009.
 - g. Approved 2012 issuing new restricted stock for employees
 - h. Approved the Regulation Governing the Issuance of New Restricted Shares for Employees.
 - i. Approved 2013 issuing new restricted stock for employees
 - j. Approved 2013 issuing Employee stock options of which the exercise price was lower than the closing price of common shares on the date of issue.
 - k. Approved the amendments made to Articles 5, Articles 14, and Articles 27 of the Company's Articles of Incorporation.
 - l. Approved the amendments for the Company's "Procedures Governing the Acquisition or Disposal of Assets.", "Operating Procedures for Endorsements and Guarantees," , "Operating Procedure for Loan Made to Others," and" Rules of Procedure for Board of Directors Meetings".
 - m. Approved the amendments for the Company's "Internal Control Systems" and "Internal audit implementation rules".
 - n. Approved the by-election of one seat of the 7th term independent directors.
 - o. Approved the Nomination of one seat of the 7th term independent directors.
 - p. Approved the list of candidates to be elected as one seat of the 7th term independent directors.

(12) Directors' or Supervisors' Objections on the Important Resolution of Board Meetings :
None.

(13) Information of Resignation or Dismissal of Persons Related to Financial Reports: None.

4. Disclosure of Auditing Fees :

CPA firm	Names of auditors (CPA)		Year	Remark
Ernst & Young	Jia-Ling Tu	Chin-Lai Wang	2012	

Starting from fourth quarter of 2012, due to the internal organizational structure change of Ernst and Young, independent auditors were replaced from Shao-Pin Kuo and Chin-Lai Wang to Jia-Ling Tu and Chin-Lai Wang .

Unit : NT\$1,000

Scale	Item	Auditing Fee	Non-Auditing Fee	Total
1	Less than 2,000		V	
2	2,000~4,000	V		V
3	4,000~6,000			
4	6,000~8,000			
5	8,000~10,000			
6	10,000 and above			

- (a) The amount of non-auditing relevant fees charged by the appointed independent auditors and the related parties reaches 25% of the Company's annual auditing expenses: Not Applicable.
- (b) If there is any change in the appointed independent auditor firm and the Company's annual auditing expenses decreased simultaneously, information regarding the amount and reasons for the decrease in auditing expenses shall be disclosed: Not Applicable.
- (c) Auditing expenses decreased by 15% in comparison to the previous year, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed: Not Applicable.

5. Changes in Independent Auditors :

Starting from fourth quarter of 2012, due to the internal organizational structure change of Ernst and Young, independent auditors were replaced from Shao-Pin Kuo and Chin-Lai Wang to Jia-Ling Tu and Chin-Lai Wang .

6. PixArt Chairman, President, manager (s) who is responsible for financial or accounting affairs working in the accounting firm of the appointed independent auditors or the accounting firm's related parties within the past year: None.**7. Changes in shareholding of directors, supervisors, officers and major shareholders holding more than 10% shares for the preceding year to the date of printing of this annual report**

- (1) Changes in Shareholding and Shares Pledged by Directors, Supervisors, Officers and Shareholders with 10% or more Shareholding

Unit : share

Title	Name	2012		Jan 1. to April 26, 2013	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Chairman / President	Sen-Huang Huang	53,432	-	-	-
Director	Tzu-Na Wu	-	-	-	-
Director represented by Tzu-Na Wu	Fortune Venture Capital Corp. (Note 1)	(5,263,166)	-	(10,000)	-
Director / Supervisor	Sheng-Cheng Chou	-	-	-	-
Director / Supervisor represented by Sheng-Cheng Chou	Novatek Microelectronics Corp. (Note 2)	-	-	-	-
Director	Victor Hsu	-	-	-	-
Director represented by Victor Hsu	Unimicron Technology Corp.	(194,118)	-	-	-
Independent Director	Ming-De Li	-	-	-	-
Independent Director	Chun Kuan	-	-	-	-
Independent Director	Wen-Chin Cheng	-	-	-	-
Vice President	Wen-Cheng ,Yen	133,030	-	11,581	-
Vice President	Ming-Tsan Kao	90,688	-	11,581	-
Division Director	Wei-Chung Wang	87,336	-	(7,450)	-
Division Director	Cheng-Kuang Sun (Note 3)	66,742	-	-	-
Division Director	Chun-Yi Lu (Note 3)	11,300	-	-	-
Chief Finance Officer	Mei-Wei Lo	68,506	-	(5,037)	-

Note1 : Fortune Venture Capital Corp had been discharged on Feb..18 2013. Information disclosed above only covers the period of service.

Note 2 : Novatek Microelectronics Corp. had been resigned on Jul.27 2012. Information disclosed above only covers the period of service.

Note 3 : Appointed on Mar. 24 2011, information disclosed above only covers the period of service.

- (2). If the counterparty of the share transfer or pledge disclosed above is a related party, disclose the relationship and shares transferred or pledged:

(i) Stock Trade with Related Party : None.

(ii) Stock Pledge with Related Party : None.

8. The relationship between any of the Company's top ten shareholders :

April. 26, 2013; Unit: Share/%

NAME	SHAREHOLDING		SHAREHOLDING UNDER SPOUSE AND UNDERAGE CHILDREN		SHAREHOLDING UNDER THE TITLE OF THIRD PARTY		TOP 10 SHAREHOLDERS WHO ARE RELATED PARTIES TO EACH OTHER		REMARK
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Fortune Venture Capital Corp. Representative : Stan, Hung	5,646,494	4.19%	—	—	—	—	—	—	—
Hsun Chieh Investment Co., Ltd. Representative : Ping-Kun, Hung	3,820,000	2.84%	—	—	—	—	—	—	—
Novatek Microelectronics Corp. Representative : Tai-Shung ,Ho	1,991,971	1.48%							

China Trust in custody of PixArt Imaging Inc. of employee stock trust account	1,983,616	1.47%							
Fubon Life Insurance Co., Ltd. Representative : Ben-Yuan, Cheng	1,804,477	1.34%							
Sen-Huang Huang	1,733,777	1.29%							
Unimicron Technology Corp. Representative : Tzu-Chang, Tseng	1,372,116	1.02%							
Ming-Kai Tsai	1,101,525	0.82%							
Ruei Meng financial consultant Corp. Representative : Ming-Huei, Lin	961,628	0.71%	—	—	—	—	—	—	—
Investment account of overseas fund	858,000	0.64%	—	—	—	—	—	—	—

Note 1 : Shareholding % is calculated based on the company's total 134,628,504 issued shares.

Note 2 : The above table disclosed the information that the company is able to collect.

9. Long-Term Investment Ownership

Dec.31 2012; Unit: Share / %

Investees	PixArt Investment		Investments from Directors, Supervisors, Managers, and Directly or Indirectly Controlled Businesses		Total investments (1) + (2)	
	share	%	share	%	share	%
PixArt International (BVI) Ltd.	2,825,000	75.35%	924,000	24.65%	3,749,000	100.00%
PixArt International (SAMOA) Ltd.	10,330,000	100.00%	-	-	10,330,000	100.00%
Yuan-Xiang Investment Corp	40,000,000	100.00%	-	-	40,000,000	100.00%
Yuan-Feng Investment Corp.	5,000,000	100.00%	-	-	5,000,000	100.00%
PrimeSensor Technology Inc.	-	-	6,904,033	52.43%	6,904,033	52.43%
YuanYao Technology Inc	-	-	2,000,000	100.00%	2,000,000	100.00%
YuanXiang Technology (SAMOA) Ltd.	-	-	2,824,000	100.00%	2,824,000	100.00%
YuanSheng Investment (SAMOA) Ltd.	-	-	1	100.00%	1	100.00%
PrimeSensor Technology (SAMOA) Ltd.	-	-	460,000	100.00%	460,000	100.00%
PixArt Imaging (USA) Inc.	-	-	10,000	100.00%	10,000	100.00%
PixArt Imaging (Penang) Inc.	-	-	10,000,000	100.00%	10,000,000	100.00%
ePlan Technology (SAMOA) Ltd.	-	-	400,000	100.00%	400,000	100.00%
PixArt Japan K.K.	-	-	1,000	100.00%	1,000	100.00%
CMC Capitals Investments, L.P.	-	-	-	10.30%	-	10.30%
Hsieh Yung Investment Co., Ltd.	34,686,000	4.55%	127,182,000	16.66%	161,868,000	21.21%

IV 、 Capital and Shares

1.Capital and Shares

(1) Source of Capital :

Unit:1,000 Shares/NTD1,000

Year/month	Par Value	Authorized capital		Paid-in capital		Remarks		
		Shares (in thousand)	Amount (in thousand)	Shares (in thousand)	Amount (in thousand)	Source of capital	Issuing shares for assets other than cash	Others
Jan. 2012	10	150,000	15,000,000	131,220	1,312,200	Exercise of stock options & retirement of stock repurchases	-	Note 1
Sep 2012	10	150,000	15,000,000	132,645	1,326,449	Capitalization of retained earnings	-	Note 2
Dec 2012	10	150,000	15,000,000	133,624	1,336,243	Issuing new restricted stock for employees	-	Note 3
Apr 2013	10	150,000	15,000,000	134,629	1,346,285	Issuing new restricted stock for employees	-	Note 4

Note 1 : Science Park Administration, approval letter No 1010000025.

Note 2 : Science Park Administration, approval letter No 1010028454.

Note 3 : Science Park Administration, approval letter No 1010037645.

Note 4 : Science Park Administration, approval letter No.1020010241

April. 26, 2013; Unit:Share

Type of stock	Authorized Capital			Remarks
	Outstanding shares	un-issued shares	Total	
Common shares	134,628,504	15,371,496	150,000,000	

Securities under General Application System : Not applicable.

(2) Structure of Shareholders

April 26, 2013; Unit: Share

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and individuals	Treasury stock	Total
Number of shareholders	0	19	91	31,540	99	1	31,750
Shareholding (shares)	0	4,704,615	21,134,754	98,336,530	4,951,605	5,501,000	134,628,504
Shareholding %	0.00	3.49	15.70	73.04	3.68	4.09	100.00

(3)Distribution of Shareholding

April 26, 2013, Par value of \$10

Class of shareholding (shares)	Number of shareholders	Shareholding (shares)	Shareholding %
1 to 999	10,971	796,818	0.59
1,000 to 5,000	16,620	30,720,389	22.82
5,001 to 10,000	2,239	15,281,717	11.35
10,001 to 15,000	807	9,412,167	6.99
15,001 to 20,000	320	5,527,019	4.10
20,001 to 30,000	342	8,153,560	6.06
30,001 to 50,000	207	7,724,857	5.74
50,001 to 100,000	136	8,952,593	6.65
100,001 to 200,000	67	8,930,933	6.63
200,001 to 400,000	16	4,379,830	3.25
400,001 to 600,000	9	4,490,619	3.34
600,001 to 800,000	4	2,649,868	1.97
800,001 to 1,000,000	3	2,653,158	1.97
More than 1,000,001	9	24,954,976	18.54
Total	31,750	134,628,504	100.00

Note: PixArt does not issue preferred stocks.

(4) Major Shareholders:

April.26, 2013 Unit: share

Name of dominant shareholder	Shareholding	Shareholding %
Fortune Venture Capital Corp.	5,646,494	4.19 %
Hsun Chieh Investment Co., Ltd.	3,820,000	2.84 %
Novatek Microelectronics Corp.	1,991,971	1.48 %
China Trust in custody of PixArt Imaging Inc. employee stock ownership trust account	1,983,616	1.47 %
Fubon Life Insurance Co., Ltd.	1,804,477	1.34 %
Sen-Huang Huang	1,733,777	1.29 %
Unimicron Technology Corp.	1,372,116	1.02 %
Ming-Kai Tsai	1,101,525	0.82 %
Ruei Meng financial consultant Corp.	961,628	0.71 %
Investment account of overseas fund	858,000	0.64 %

(5) Market Price, Net value, Earnings and Dividend per Share and Related Information over the Last Two Years: :

Unit: Share/ NTD1.00

Subject		Year	2011 (paid out in 2012)	2012 (paid out in 2013)	Jan 1. to May 7, 2013 (Note 6)
Market price per share (Note 1)	High		131.72	96.63	74.50
	Low		56.14	58.90	61.70
	Average		89.30	79.32	68.48
Net value per share	Before distribution		44.81	43.27	43.33
	After distribution (Note 2)		41.50	*	*
EPS	Weighed average outstanding shares		130,412,919	127,079,337	127,143,888
	EPS	Before retroactive adjustment	3.85	2.20	0.11
		After retroactive adjustment (Note 2)	3.81	*	*
Dividend per share	Cash dividend		2.9	*	**
	Stock dividend	Retained earnings	0.1	*	**
		Capital surplus	—	*	**
	Accumulated unpaid dividends		—	—	**
Analysis of ROI	P/E ratio (Note 3)		23.44	36.05	**
	P/P ration (Note 4)		30.79	*	**
	Cash dividend yield (Note 5)		3.25 %	*	**

* : Pending on decision of Shareholders' Meeting

**: Not Applicable.

Note 1 : Market prices have been retroactively adjusted for stock dividend, cash dividend and employee stock bonus.

Note 2 : This number has been adjusted based on the resolution of shareholders' meeting held in the following year.

Note 3 : P/E ratio=Average price per share of the year/Earnings per share

Note 4 : P/P ratio=Average price per share of the year/Cash dividend per share

Note 5 : Cash dividend yield=Cash dividend per share/ Average price per share of the year

Note 6 : Refer to the audited financial statements for the first quarter of 2013 for net worth per share or earnings per share figures for the current fiscal year up to the date of printing of the annual report.

(6) The Company's stock dividend policy and status report

a. Stock dividend policy regulated in the Company's Articles of Incorporation :

Where the Company has a profit at the end of each fiscal year, the Company shall allocate the profit in the following order:

1. Income tax obligation;

2. Offsetting accumulated deficits, if any;
3. Legal reserve at 10% of net income after tax
4. Appropriate or reverse special reserve in accordance with applicable rules and regulations.
5. Remuneration for directors to a maximum of 1% of the remaining current year's earnings after deducting for item 1 through 4.
6. After deducting for item 1 through 4 above from the current year's earnings, no less than 1% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus.
7. The remaining, after all the above appropriations and distributions, may be retained or distributed proportionally as shareholders' bonus. The distribution will be recommended by the board of directors and resolved in the shareholders' meeting.

The board of directors shall make the distribution proposal in the subsequent year and submit it to the annual shareholders' meeting for proposal. The proposal should reflect factors such as industry situation, current and future fund requirements, and long-term financial planning. Of the proposal, both dividend and employees' bonus may be distributed in the form of cash or stock, but cash dividend shall be no less than 10% of the total dividends. Director remuneration shall be distributed in cash.

- b. Surplus earnings distribution proposal (approved by Board of Directors and to be discussed in this year's Shareholders' Meeting) :

1. The Board of Directors proposes to distribute the Company's 2012 surplus earnings as follows:

Expressed in NT Dollars

Descriptions	Amount	Remarks
Net profit of 2012	280,108,272	
Less: 10% Legal reserve	(28,010,827)	
Special reserve	(3,927,279)	
2012 Earnings Available for Distribution	248,170,166	
Plus: Unappropriated retained earnings of previous years	1,716,475,278	
Less: Adjustment from retained earnings recognized under equity method.	(11,364,831)	
Earnings Available for Distribution	1,953,280,613	
Distribution Items:		
Cash Dividend to common shareholders	12,912,750	NT\$0.1 per share
Total Distribution	12,912,750	
Unappropriated Earnings	1,940,367,863	

The Board of directors also proposes to distribute employee cash bonus in the amount of NT\$45,578,942, and Directors' remuneration in the amount of NT\$2,481,174. The above distribution and employee bonus is consistent with the 2012 financial statements.

2. distribute cash from capital surplus :

The Company is proposing to distribute cash in the amount of NT\$ 245,342,258 from capital surplus for shares issued at premium in accordance with Article 241 of the Company Act. The total amount of cash distribution per share is NT\$ 1.9 (calculated to the nearest dollar) based on the total number of outstanding shares aggregating 129,127,504 shares (total number of shares outstanding totaling

134,628,504 shares less treasury stock 5,501,000 shares) as at April 26, 2013

- (7) Impact of the capitalization of earnings to the Company's business operations and earnings per share.

Not Applicable.

- (8) Employee bonus and Director/Supervisor remuneration

- a. Employee bonus and Director/Supervisor compensation regulated in the Company's Articles of Incorporation.

The execution of employee bonus and Directors' & Supervisors' remuneration complied with Article 24 of the Company's Articles of Incorporation. Please refer to (6) for details regarding the implementation of the Company's stock dividend policy.

- b. Accounting method for differences between accrued and actual employee bonus and Director/Supervisor remuneration and the method used to accrue employee bonus and Director/Supervisor remuneration:

Estimates for and Director/Supervisor remuneration are accrued based on the percentages stipulated in the Articles of Incorporation. The employee bonus is accrued based on the percentages stipulated in the Articles of Incorporation at 25% of the current net income (excluding the effects of expensing employee bonus) after setting aside the legal reserve and other mandatory reserves. If the Shareholders' meeting resolves to issue employee bonus in the form of common shares, the number of shares is determined based on the closing stock price one day prior to the Shareholders' Meeting, ex-right/ex-dividend. Any discrepancies between the actual employee bonus as decided by the Shareholders' Meeting and the estimates would be recognized as profit/loss in the following year.

- c. Employee bonuses and Director/Supervisor remuneration proposal approved by the Board of Directors.

- (I) Distribution of cash bonuses or stock bonuses to employees, and compensation for directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Company will distribute employee cash bonuses in the amount of NT\$45,579 thousand, and Director remuneration in the amount of NT\$2,481 thousand, as approved by the Board of Directors on May 7th, 2013. The above distribution and employee bonus is consistent with the 2012 financial statements.

- (II) The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the current after-tax net income and total employee bonuses:

Not Applicable.

- (III) The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor compensation;

The Company has expensed the employee bonus and Director/Supervisor remuneration for fiscal year 2012 since the policy began in 2008. Therefore, the pro forma earnings per share is the same as the earnings per share in its financial statements.

- d. The actual distribution of employee bonuses and director/supervisor compensation for the previous fiscal year (with an indication of the number, dollar amount, and stock price of the shares distributed), and if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it was treated:

The actual distribution and the differences for fiscal year 2011 are as follows:

Expressed in NT 1,000

Distribution items	Actual distribution	Amount accrued	Difference	Reason and treatment for differences	Shares Issued	Share Price
Remuneration of directors and supervisors	4,469	4,469	0	None	-	-
Profit sharing to employees - in cash	67,820	67,820	0	None	-	-
Profit sharing to employees - in stock	13,000	13,000	0	None	167,688 shares	77.5

(9) Status of treasury stocks :

Apr. 26, 2013

Items	Fourth	Fifth	Sixth
Purpose of the buyback	Transfer to employee	Transfer to employee	Transfer to employee
Buyback period	2011.03.30~ 2011.05.20	2011.10.04~ 2011.11.15	2011.12.22~ 2012.01.16
Proposed price range of the buyback (Note)	Between NT\$84 to NT\$170	Between NT\$55 to NT\$105	Between NT\$45 to NT\$107
Number of shares bought back	1,636,000 shares of common stock	2,984,000 share of common stock	881,000 share of common stock
Total cash paid for the buyback (in NTD)	NT\$ 190,191,431	NT\$ 228,436,682	NT\$ 59,971,786
Number of shares cancelled or transferred	0 share	0 share	0 share
Accumulated holding of treasury stock	1,636,000 shares	4,620,000 shares	5,501,000 shares
Accumulated number of shares as a percentage of total number of outstanding shares (%)	1.22%	3.43 %	4.09%

Note: It is allowed to buy back shares even though the market price is lower than the lowest price of the price range.

2. Corporate Bonds: Not applicable.

3. Preferred Stocks: Not applicable.

4. GDR/ADR: Not applicable. °

5. Employee Stock Option :

(1) The Status of Employee Stock Options:

Apr. 26, 2013

ESOP Granted	Fourth Round
Approved Date by the Securities & Futures Bureau	12/24/2007
Issuing Date	12/27/2007 issued 5,000 units
Option Duration	6 years
Number of Options Granted	5,000 units
Percentage of Shares Exercisable to Outstanding Common Shares (%)	4.27%
Source of Option Shares	Issuing new shares
Vesting Schedule	2 nd Year: up to 50%, 3 rd Year: up to 75%, 4 th Year: up to 100%
Shares exercised	832,500 shares
Value of Shares Exercised (NT\$1,000)	161,422
Shares Unexercised (Note)	2,306,000 shares
Exercise Price Per Share(NT\$) (Note)	NT\$ 168.28
Percentage of Shares Unexercised to Outstanding Common Shares (%)	1.71 %
Impact to Shareholders' Equity	The exercise price was equal to the closing stock price on the date when the ESOP was granted. The exercise price was actually the same as market price. And employees can exercise the options two years or more after the issuing date. If all unexercised options are exercised, the outstanding shares will be increased by 1.71%. The exercise price equals to NT\$168.28, which is higher than net value per share, the exercise of options will increase the net value per share.

Note : Numbers expressed in this table are prices after adjustments in accordance with their respective rules governing stock option issuance and exercise.

(2) List of Managers and Top 10 Employees (whose exercise amount is higher than NT\$ 30,000 thousand) Participating in Employee Stock Option Plan

Apr.26, 2013

	Title	Name	Number of options granted (shares)	% of shares exercisable to outstanding Common Shares	Options exercised				Options unexercised			
					Shares exercised	Price of shares exercised (\$)	Total value of shares exercised (\$K)	% of exercised shares to outstanding common shares	Shares unexercised (shares)	Exercise price (\$)	Total exercise amount of shares unexercised (\$K)	% of unexercised shares to outstanding common shares
Managers	President	Sen-Huang Huang	497,000	0.4%	0	0	0	0%	497,000	168.28	83,635	0.4%
	Vice President	Wen-Cheng ,Yen										
	Vice President	Ming-Tsan Kao										
	Division Director	Wei-Chung Wang										
	Chief Finance Officer	Mei-Wei Lo										

Employee	Manager	Ching –Lin Chung	126,000	0.1%	0	0	0	0%	126,000	168.28	21,203	0.1%
	Manager	Wei-Hsiang Wang										

Note : The information is disclosed to optionees who were employees of the Company as at April 26, 2013.

6. Restricted stock for employees :

(1) The Status of Restricted stock for employees :

Apr. 26, 2013

Restricted Granted	2012 First Round Restricted stock for employees
Approved Date by the Securities & Futures Bureau	09/05/2012
Issuing Date	11/22/2012 issued 979,436 shares 04/03/2013 issued 1,020,564 shares
Total Number of New Shares	2,000,000 shares
Issuing Price	NT\$ 0
Percentage of Shares Exercisable to Outstanding Common Shares (%)	1.49 %
Vesting Conditions	For those employees who was awarded the new restricted shares for employee still at service after the expiration of the following terms and achieve the performance criteria set by the Company (performance requirement is set by the Chairman of the Board with the authorization from the Board of Directors), the proportion of shares reaching the vesting conditions is as follows: Serving the expiration of one year: 25% 、Serving the expiration of two year: 25% 、Serving the expiration of three year: 25% 、Serving the expiration of four year: 25%
Restricted rights	a. After employees are allocated with new shares and before the vesting conditions are reached, in addition to inheritance, the employees shall not sale, mortgage, transfer, gift, pledge or do anything on those new restricted shares for employee. b. The attendance, motion, making speeches, voting rights is all entrusted to custodian organization to execute according to the contract.
Custody condition	The new restricted shares for employee issued under this regulation will be handed over to stock trust custody under the employees' names, after the employees are allocated with new shares and before the vesting conditions are reached
The restricted rights on the newly issued shares before reaching the vesting condition	Except the limits due to trust agreement in previous section, the new restricted shares for employee allocated under this regulation, before reaching vesting conditions, other rights, include but not limited to: dividends, bonus and allocation rights of capital surplus, stock options on cash capital increase and voting rights are all the same as the common stocks issued by the Company.
Shares Retracted	16,384 shares
Shares Released	None
Shares Ureleased	1,983,616 shares
Percentage of Shares Unreleased to Outstanding Common Shares (%)	1.47 %
Impact to Shareholders' Equity	Shall the vesting conditions all new restricted shares issued to employees in this round be met, the Company's capital will increase by 1.47% based on the number of currently outstanding shares of the Company. The effects of dilution are limited due to vesting conditions be met across several fiscal periods.

(二) List of Managers and Top 10 Employees Participating in Restricted stock for employees

Apr. 26, 2013

	Title	Name	Number of restricted stock granted (shares)	% of shares to outstanding Common Shares	Released restriction rights				Unreleased restriction rights			
					Shares released	Issuing Price	Issuing Amount	% of shares released to outstanding Common Shares	Shares unreleased	Issuing Price	Issuing Amount	% of shares unreleased to outstanding Common Shares
Managers / Employee	President	Sen-Huang Huang	249,032	0.18 %	0	0	0	0%	249,032	0	0	0.18 %
	Vice President	Wen-Cheng ,Yen										
	Vice President	Ming-Tsan Kao										
	Division Director	Wei-Chung Wang										
	Chief Finance Officer	Mei-Wei Lo										

Note : For materiality considerations, parties to which the information will be disclosed include managerial officers (irrespective of the number of shares obtained) and employees who have received more than 50,000 shares of the new restricted shares.

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions : None.

8. Execution status of Financing : Not applicable.

V.Business Activities

1. Business Scope

(1) Business Scope :

a.The main business activities of PixArt include :

Research, develop, design, produce and sell the following products:

(I). CMOS Image Sensor

(II). Image processor

(III). Image sensor in single chip

Any trade business associated with the aforementioned products

b.Revenue Mix :

Unit : NT\$ 1,000

Product \ Year	2011		2012	
	Amount	%	Amount	%
CMOS Image Sensor	3,165,709	98.38	3,283,100	99.39
Others	52,130	1.62	20,087	0.61
Total	3,217,839	100.00	3,303,187	100.00

c. Major products and services :

Category	Description
CMOS Image Sensor and Application IC	A.CMOS Image Sensor
	B.Optical and laser mouse chip
	C.PC and NB Camera SOC Solution
	D.Multi-Object-Tracking (MOT) sensor
	E.DSP Chip for NB and PC Camera
	F.Optical and capacitive touch solutions
	G.Gesture sensors

d. New Products Planned for Development :

- (a)Sensors for wireless, energy-efficient and integrated optical/laser/touch mice
- (b)TOG (Tracking On Glass) and gaming mouse
- (c)OFM (Optical Finger Mouse) sensor
- (d)MOT sensor for Smart TV or Set Top Box remote controller
- (e)Optical touch solutions for Windows 8 and other applications
- (f)Capacitive touch solutions
- (g)Gesture sensors
- (h)HSD (Human Sensing Device)/Face recognition sensor
- (i) Various Human-machine interface(HMI, Human Machine Interface) products

(2) Industry summary :

a. Industry overview and outlook

CMOS image sensor has a wide range of application. The main markets include functional/ smart mobile phone, PC/ NB camera, mouse, digital camera, household

electrical appliances, video conference, security system, automobile parking sensor, driving recorder, game console, toy, medical usage, and etc. For the standard CMOS image sensor market, companies within this industry are mainly from United States, Japan, and Korea. In the recent years, Chinese companies are also focusing on getting market shares. In addition to the product being standard, DRAM companies and Chinese companies are joining this industry. This contributes to the fierce competition in standard CMOS image sensor market. As for the applied CMOS image sensor market, it has higher barrier of entrance due to the characteristics of this product. Therefore, companies in this industry will be able to maintain better product revenue. With improving technology of CMOS image sensor, the range of application has become wider. Despite the skills used in mouse, game console, and toy, applied CMOS image sensor has been developed to use in touch, face recognition, gesture control, and etc. This technology has been utilized in mobile phones, computers, cars, televisions, and various products. Since there are a variety of usages available for applied CMOS image sensor, this market provides companies many opportunities to establish different products.

b. Relationship between downstream, midstream, and upstream

The relationship between the downstream, midstream, and upstream players in Taiwan's IC industry is shown in the following table. The players are upstream IC design companies, midstream IC wafer fabrication companies, and downstream IC packaging and testing companies. Unlike foreign IC companies that undertake the entire process (design, fabrication, packaging, and testing) and IC companies in Southeast Asia that only undertake downstream packaging and testing, Taiwanese IC companies tend to specialize in a specific area of expertise. Each of the three market segments are made up of several competitors and a clear division of labor can be seen as a result.

Breakdown of Taiwan's IC industry by upstream, midstream, downstream

Structure	Function	Manufacturing Process
Upstream	Design	Logic design, circuit design, layout
Midstream	Mask and Wafer fabrication	Oxidation, mask house, etching, ion diffusion, ion implant, CVD (chemical vapor deposition), metal sputtering, wafer inspection
Downstream	Packing and testing	Die saw, pick and place, wire bonder, tray, test

c. Product development trend

(I). Low-power

Given the increasing popularity of portable devices and the demand for energy efficiency, the Company will engage in the R & D of products that consume lower energy.

(II). Miniaturization and integration with wiring

Portable imaging products need to be light, thin, short, and small. The miniaturization of CMOS is a major development trends.

d. Overview of market competition

Competition in CMOS Image Sensor varies according to the characteristics of products. For standard CMOS Image Sensor, companies are from United States, Korea, Japan, Taiwan, and China. These companies include Aptina, Samsung, Omnivision, Hynix, Pixelplus, Galaxycore, and etc. This is a fierce market due to the large number of competitors. On the other hand, the competition in applied CMOS Image Sensor differs with application of products. Since this market has higher barrier of entrance and characteristics of applied CMOS Image Sensor is distinctively different from the standard product, the competition is relatively fair.

(3) Technology and R&D :

a. Summary of R&D expenses:

Unit : NT\$ 1,000

Item \ Year	2011	2012	Jan.1, to Mar. 31 2013
R&D expenses	480,849	441,368	199,259

b. R&D accomplishments

- (1) Power-saving/ high performance wireless mouse device.
- (2) TOG and Gaming mouse device.
- (3) OFM (Optical Finger Mouse) Sensor
- (4) MOT Sensor or game console
- (5) MOT Sensor for Smart TV remote controller
- (6) QVGA/VGA/HD sensors
- (7) VGA SOC for PC/NB camera
- (8) Optical touch solutions
- (9) DMS(Distance Measure Sensor related technologies and products
- (10) Human Sensing Device/Face recognition
- (11) Microminiaturization Gesture Recognition IC
- (12) Wireless mouse sensor with ultra-low power (<1mA)
- (13) Capacitive Touch IC

(4) Short-term and long-term business development plans:

a. Short-term development plan

(I) Marketing strategy

- I-1. Expanding the current marketing channels and exploit potential markets.
- I-2. Aggressively developing relationships with overseas and domestic customers on optical mice, PC/NB cameras, and other application products to increase market share.
- I-3. Strengthen customer service to current customers in order to maintain long-term relationships.

(II) Manufacturing strategy

- II-1. Strengthen relationships with wafer foundries, packaging and testing companies, and other partners both domestically and abroad to secure

sufficient capacity.

- II-2. Establish information systems connected to downstream packaging and testing plants in order to monitor and control production quantity and progress.

(III) Product strategy

- III-1. Continue to develop high potential products, such as small, high-resolution, and low-power image sensor components and products with human-machine interfaces that utilize CMOS image sensors as the input device.
- III-2. Continue to integrate circuit and interface in order to improve the added value of image sensor IC and its application.

(IV) Business strategy

- IV-1. Aggressively expand the product line and maintain competitive advantage through superior technology and cost control.
- IV-2. Aggressively implement advanced manufacturing process and expand research and development in advanced products with high technology.
- IV-3. Aggressively develop channels abroad.

b Long-term development plan

(I) Marketing strategy

- I-1. Expand sales channels and strengthen market research (consumption, manufacturing, product trends). Develop strategies that meet international trends in order to raise awareness and market share.
- I-2. Aggressively develop professional sales personnel, improve ability for international marketing, and develop sales partnerships with world-class international companies.
- I-3. The ultimate goal is to become a globally recognized brand with a strong global sales network.

(II). Manufacturing strategy

- II-1. Provide a timely, precise, and complete virtual manufacturing environment through stable outsourcing partnerships with manufacturers.
- II-2. Continue to maintain cost competitive advantage through adopting advanced manufacturing process and cost reduction.
- II-3. Maintain strong working relationships with outsourcing partnerships to ensure that we maintain a stable level of production capacity.

(III) Product strategy

- III-1. Maintain technological advantages through continual investment in research and development of next-generation products.
- III-2. Maintain market-leading positions for the existing product lines through advancing technology capabilities.
- III-3. Increase the density of IC components, increase the development ratio of mixed-signal ICs, and realize system-on-a-chip technology in order to maintain product line's competitive advantage. Maintain high levels of growth through continual product innovation.

(IV) Business strategy

Integrate marketing, manufacturing, and product strategy to improve overall business operations to expand business scale. We aim to become an internationally recognized IC design company.

2. Market and sales overview

(1) Market analysis

a. Main products by area:

Unit : NTS 1,000

Region \ Year	2011		2012	
	Amount	%	Amount	%
Domestic Sales	334,913	10.41	264,103	8.00
Export Sales	2,882,926	89.59	3,039,084	92.00
合 計	3,217,839	100.00	3,303,187	100.00

Note: expressed in net sales.

b. Main competitors and market share:

PixArt's main competitors for its various products, For CMOS Sensor product, include OmniVision, Aptina, Hynix, Samsung, SETi, Galaxycore, Pixelplus etc. For mouse product, include EMC, Sunplusit, Apexone, Atlab etc. For Optical touch product, include Nextwindow etc. For DSP controller, include Sonix, Vimicro etc. PixArt is considered one of the leaders in CMOS image sensor market in terms of CMOS-related products, such as mice, games, and optical touch.

c. Supply and demand outlook and growth

The Company's primary products are mouse products, game consoles and optical touch devices. The personal computer market saw a decline in 2012 against the 2011 as a result of the increasing popularity of tablet computers and smart phones. The mouse product market was also impacted by the unfavorable factors and declined against the previous year. It was fortunate that due to the continuous improvement in the Company's market share in the mouse product market, we enjoyed shipment of over 200 million computer mice despite the unfavourable conditions, representing a growth of 9.5% against the previous year. We trust that the market will sustain growth in 2013. The games production line experienced declining operating revenue in 2012 as a result of our clients' poorer sales performance. Improvements on the games sector of our business this year will be dependent on our client's sales performance. The Company's optical touch business expects to benefit from the boosts in the demand for PC touch devices as a result of the successful launch of Windows 8 if we were able to gain successful accreditation.

d. Competitive advantages

(I). Stable material supply

The Company maintains an excellent working relationship with United Microelectronics Corp. (UMC). The Company and UMC have forged a strong partnership after years of working together. The Company also benefits from stable supplies through the support of other packaging and testing companies.

(II). Professional and experienced

The Company has a professional and experienced management team and focuses on our core business. The team is well versed in industry changes, product development, research and manufacturing processes, marketing, among other areas.

(III). Diverse product lines

The Company's products lines include optical mouse, PC/NB cameras, mobile handset cameras, gaming and toys, etc. and we can provide a lot of products for our customers.

(IV) Patent Deployment

The Company is actively pursuing the filing for the various patents. In 2012, we were ranked the 20th and 29th among other domestic companies in patent invention and patent filing, respectively. Our goal is to establish the barriers for entry by competitors through patent deployment.

e. Positive and negative factors in our long-term development and coping strategies :

(I). Positive factors

- I-1. CMOS technology applications range from information, communication, to consumer products which will help diversify the Company's exposure to specific industries.
- I-2. Electronic product manufacturing is centered in the Greater China area, thus Taiwan has a natural competitive advantage over European and American companies in this industry.
- I-3. The Company maintains an excellent working relationship with UMC. The Company benefits from stable supplies through the support of UMC and packaging and testing companies.

(II). Negative factors and our coping strategy

- II-1. The negative factors facing the industry are: over-competition, threats from DRAM companies, and pricing pressure. We aim to counter these factors by aggressively investing in research and development, shortening the product cycle, establishing technological entry-barriers, strengthening customer service, maintaining the current customer base, and actively lowering our cost.
- II-2. The quality of the CMOS image sensor still very much depends on the wafer foundry's manufacturing technology and capability. Image sensor quality will be limited if wafer foundries can not make a breakthrough. The Company has an excellent working relationship with UMC and will continue to work closely with UMC's engineers in product development to enhance products' competitiveness.
- II-3. Patent litigation has become a basic strategy for international high-tech companies. There is a certain level of uncertainty with patent "warfare" due to the lack of transparency in the patent application process. The Company has taken an aggressive stance in this arena. When appropriate, the Company will engage in patent authorization or patent licensing in order to protect the

Company's portfolio of patents. °

(2) Applications of main products and manufacturing processes :

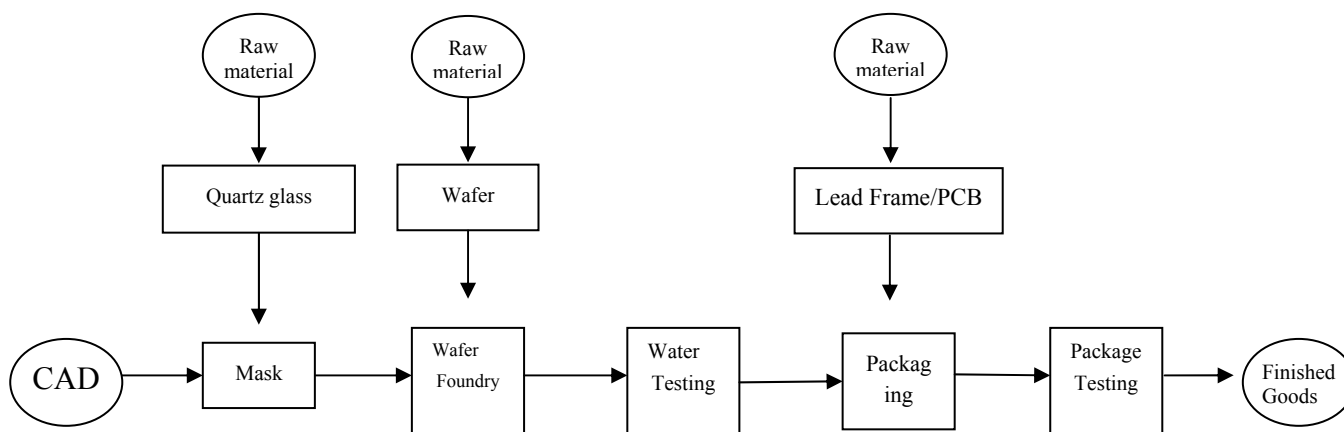
a. Main products' applications:

Product line	Applications
CMOS image sensor components	Optical mouse, game consoles, Optical touch solutions, PC/NB Camera, mobile handset camera, consumer imaging toys

b. Manufacturing process of main products:

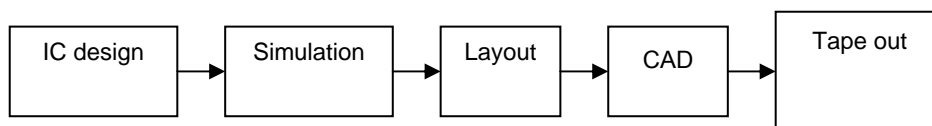
(I) Flowchart of the product's manufacturing process:

The Company is an IC design house. Wafer fabrication is outsourced to wafer foundries. After preliminary testing in foundries, wafers are sent to be packaging companies to package the chip. The packaged ICs will be then sent to testing companies for thoroughly functional testing. The manufacturing process is as follows:



(II) Flowchart of design process

IC products originate from IC design. With tools such as CAD, IC design companies can design ICs by circuit design to meet customers' or their own specifications.



(III) Mask process

Completed IC design is sent to mask companies in the form of database to product masks. The process requires four steps: exposure, etching, inspection, and shipping. The completed masks are sent to wafer foundries for manufacturing.

(IV) Wafer manufacturing process

Wafer manufacturing is a sophisticated process that involves thin film deposition, etching, ion implanting and diffusion etc. The product is ready for shipment after it passes the wafer acceptance test (WAT).

(3) Supply of raw materials :

- a. Main raw material: wafers.
- b. Main supplier: United Microelectronics Corporation (UMC).
- c. Current market status: At present, UMC, TSMC and Global Foundry are world leading foundries. UMC is the Company's major supplier and the supply has been stable.

(4) Major Suppliers and Customers :

a. Major Suppliers

Unit : NT\$ 1,000

Ranking	2011				2012				2013 Q1			
	Supplier Name	Amount Purchased	Proportion of Total Purchases for the Year (%)	Relations	Supplier Name	Amount Purchased	Proportion of Total Purchases for the Year (%)	Relations	Supplier Name	Amount Purchased	Proportion of Total Purchases for the Year (%)	Relations
1	UMC	388,339	51.47%	Related party in substance	UMC	229,690	23.12%	Related party in substance	UMC	54,491	25.33%	Note
2	Supplier A	287,182	38.06%	-	Supplier A	317,640	31.97%	-	Supplier A	91,091	42.35%	-
3	Supplier B	-	-	-	Supplier B	153,290	15.43%	-	Supplier B	-	-	-
	Others	79,006	10.47%		Others	292,796	29.48%		Others	69,518	32.32%	
	Total	754,527	100.00%		Total	993,416	100.00%		Total	215,100	100.00%	

Note: The subsidiary of the related party resigned from the position as the Company's institutional director in February 2013 and was thus no longer a related party.

The Company's main raw material is wafer. Due to scattered purchasing sources being affected by product demand changes, the weighted stock also changes.

b. Major Customers over the Last Two Years:

Unit : NT\$ 1,000

Ranking	2011				2012				2013 Q1			
	Customer Name	Amount	Proportion of Total Sales for the Year (%)	Relations	Customer Name	Amount	Proportion of Total Sales for the Year (%)	Relations	Customer Name	Amount	Proportion of Total Sales for the Year (%)	Relations
1	Customer A	1,005,279	31.24	—	Customer A	1,347,556	40.80	—	Customer A	377,546	41.47	—
2	Customer B	391,035	12.15	—	Customer B	-	-	—	Customer B	-	-	—
3	Customer C	-	-	—	Customer C	-	-	—	Customer C	104,108	11.43	—
4	Customer D	-	-	—	Customer D	-	-	—	Customer D	92,463	10.16	—
	Others	1,821,525	56.61		Others	1,955,631	59.20		Others	336,359	36.94	
	Total	3,217,839	100.00		Total	3,303,187	100.00		Total	910,476	100.00	

The Company's product lines changed due to alternation in market demand. Therefore, sales to customers change as well. Yet, there is no significant change to the Company's major customers.

(5) Production Volume and Value over the Last Two Years :

Unit: 1,000pcs/NTD1,000

Main Product \ Year	2011			2012		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
CMOS Image Sensor	-	248,172	1,921,215	-	274,329	1,930,337

Note: As a result of outsourcing wafer manufacturing and IC packaging and testing, the production capacity is not applicable.

(6) Sales Volume and Value over the Last Two Years : (Expressed in net sales)

Unit: 1,000pcs/NTD1,000

Main Product \ Year	2011				2012			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
CMOS Image Sensor	29,696	306,698	205,304	2,859,011	23,887	251,990	215,802	3,031,110
Others	—	28,215	77	23,915	—	12,113	—	7,974
Total	29,696	334,913	205,381	2,882,926	23,887	264,103	215,802	3,039,084

3. Employees

Year		2011	2012	As of Mar. 31, 2013
Number of Employees	R&D	129	162	163
	Managerial, marketing & sales	62	67	63
	Manufacturing	7	10	10
	Total	198	239	236
Average age		35	35	35
Average years of service		3.89	4.07	4.23
Education	Doctoral	8%	6%	6%
	Master	62%	64%	64%
	University & College	29%	29%	29%
	High school	1%	1%	1%

4. Environmental spending disclosure

Since the Company is a IC design house that does not engage in any in-house manufacturing, there is no possibility of pollution. The Company has not had any losses as a direct result of pollution for the recent year and this year till the date of the printing of this annual report.

5. Labor relations

(1) Employee welfare, continuing education, training, retirement schemes

a. Employee welfare

- (I) PixArt has established an employee welfare committee, which is responsible for supervising and implementing employee welfare related issues.
- (II) PixArt has in place group insurance to supplement the labor insurance. The employees, as well as their spouses, parents, and children are eligible for group insurance coverage.
- (III) The Company offers health checks for new employees and annual health checks

for all current employees. All employees participate in labor insurance and national health insurance. These benefits are implemented in accordance with related policies and procedures.

b. Continuing education and training

The Company has established procedures governing education and training with the goal of elevating its human resources and competitive advantage. Employees are encouraged to attend various training sessions and seminars both domestically and abroad. The Company firmly believes that continuing education and training is an important part of sustainable development.

c. Retirement scheme and implementation

The Company's retirement scheme was established in accordance with the Labor Law. The Company established its Supervisory Committee on Labor Retirement Funds in 2000. The committee is responsible for setting aside the labor's retirement reserve fund each month and depositing the funds in its name to a designated account at the Bank of Taiwan. The management and spending of the funds shall be in compliance with regulations for the Labor Pension Fund. Starting from July 1st, 2005, the Company is required to set aside the labor's retirement reserve into the individual labor pension accounts for employees who chose the New System.

d. Labor relations

The Company has strived for harmonious labor relations. In order to accomplish that, the Company values employee welfare and a comfortable working environment. Furthermore, the Company has kept the channel of communication open and employees can air their opinions freely with communication mechanisms in place. Thus far, there have been no disputes between the company and labors

(2) Losses for disputes between company and labor from the past year till the date of printing of this annual report:

Former employees filed a civil action against trusted bank and Company for trusted bonus stock and cash. Taiwan High Court has ruled in favor of Company and the trusted bank. The case is pending in Supreme Court. The Company performed based on the Bonus Stock Holding Agreement signed by the parties. Plaintiff's claim should be no merits. The case has no material impact on Company's financial status.

6.Important Contract

Nature of the Agreement	Counter Party	Contract Period	Description	Restrictive term
Development	Nintendo Co., Ltd.,	Since 2006.5.17	Jointly develop pointing device	Terms compliance required.
Development	Nintendo Co., Ltd.,	Since 2007.4.7	Jointly develop pointing device	Terms compliance required.
Patent and technology Licensing	SMART Technologies ULC	According to the contract	Procure technology and patent license for the optical touch system integrator	Within the scope of usage according to the term
Patent and Technology Licensing	Avago Technologies General IP(Singapore Pte. Ltd., Avago Technologies ECBU IP (Singapore) Pte. Ltd.	According to the contract	Cross license	Within the scope of usage according to the term

English Translation of Financial Statements Originally Issued in Chinese**PixArt Imaging Inc.****Notes To Financial Statements (Continued)****G. TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2012**

Company Name	Counter-party	Related Party	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
			Purchases/ Sales	Amount (NT\$'000)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (NT\$'000)	% to Total
The Company	UMC	Related party in substance	purchase	229,690 (Remark)	23.12	45 days	-	-	(28,182)	(9.57)

Remark: The total cost of wafer purchased from UMC amounted to NT\$249,157 thousand, of which NT\$229,690 thousand were recorded under raw materials and NT\$19,467 thousand under R&D expenses.

H. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

I. Information about derivatives of investees over which the Company has a controlling interest: None.

(2) The following are additional disclosures for the Company's affiliates:

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging Inc.**Notes To Financial Statements (Continued)**

**A. NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE
AS OF DECEMBER 31, 2012**

Monetary unit: US dollars/NT thousand dollars/MYR dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (NT\$'000)		Balance as of December 31, 2012			Net Income (Losses) of the Investee (NT\$'000)	Equity in the Earnings (NT\$'000)
				December 31,		Shares	Percentage of Ownership (%)	Carrying Value (NT\$'000)		
				2012	2011					
The Company	PixArt International (BVI) Ltd.	BVI	Investment activities	86,905	60,057	2,825,000	75.35	28,032	(22,912)	(16,817)
	PixArt International (SAMOA) Ltd.	SAMOA	Investment activities	308,134	33,884	10,330,000	100.00	60,441	(210,845)	(210,845)
	Yuan-Xiang Investment Corp.	Taiwan	Investment activities	400,000	400,000	40,000,000	100.00	241,720	(122,609)	(122,609)
	Yuan-Feng Investment Corp.	Taiwan	Investment activities	50,000	50,000	5,000,000	100.00	35,492	(3,130)	(3,130)
Yuan-Xiang Investment Corp.	PixArt International (BVI) Ltd.	BVI	Investment activities	26,736	26,736	924,000	24.65	9,168	(22,912)	(Remark 1)
	PrimeSensor Technology Inc.	Taiwan	IC design	65,865	30,000	4,904,033	37.24	33,417	(42,564)	(Remark 1)
	Yuan-Yau Technology Inc.	Taiwan	Manufacture	20,000	20,000	2,000,000	100.00	19,753	(143)	(Remark 1)
Yuan-Feng Investment Corp.	PrimeSensor Technology Inc.	Taiwan	IC design	28,412	15,000	2,000,000	15.19	13,628	(42,564)	(Remark 1)
PrimeSensor Technology Inc.	YuanSheng Investment (SAMOA) Ltd.	SAMOA	Investment activities	- (Remark 2)	6,077	1	100.00	-	27	(Remark 1)
	PrimeSensor Technology (SAMOA) Ltd.	SAMOA	Investment activities	14,155	11,163	460,000	100.00	422	(3,622)	(Remark 1)

(To be Continued)

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging Inc.**Notes To Financial Statements (Continued)**

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (NT\$'000)		Balance as of December 31, 2011			Net Income (Losses) of the Investee (NT\$'000)	Equity in the Earnings (NT\$'000)
				December 31,		Shares	Percentage of Ownership (%)	Carrying Value (NT\$'000)		
				2012	2011					
PixArt International (SAMOA) Ltd.	PixArt Imaging (USA) Inc.	USA	Technical Support activities	USD 1,000,000	-	10,000	100.00	31,288	2,289	(Remark 1)
	PixArt Imaging (Penang) SDN. BHD.	MALAYSIA	Technical Support activities	MYR 10,000,000	-	10,000,000	100.00	59,551	(31,765)	(Remark 1, Remark 4)
	ePlan Technology (SAMOA) Ltd.	SAMOA	Technical Support activities	USD 400,000	-	400,000	100.00	79	(11,802)	(Remark 1)
PixArt International (BVI) Ltd.	YuanXiang Technology (SAMOA) Ltd.	SAMOA	Investment activities	USD 2,824,000	USD 1,924,000	2,824,000	100.00	11,890	(20,219)	(Remark 1)
	CMC Capital Investments , L.P.	CAYMAN	Investment activities	USD 924,000	USD 924,000	-	10.30	25,283	(1,667)	(Remark 1)
YuanXiang Technology (SAMOA) Ltd.	PixArt Japan K.K.	Japan	Technical Support activities	USD 518,039	USD 358,864	1,000	100.00	14,708	805	(Remark 1, Remark 3)
YuanSheng Investment (SAMOA) Ltd.	PixArt Japan K.K.	Japan	Technical Support activities	-	USD 153,799	-	-	-	-	(Remark 3)

Remark 1: Equity pick-up has been included in holding companies.

Remark 2: In May 2012, YuanSheng Investment (SAMOA) Ltd. reduced its capital and returned cash to PrimeSensor Technology Inc.

Remark 3: In February 2012, YuanSheng Investment (SAMOA) Ltd. sold PixArt Japan K.K.'s shares to YuanXiang Technology (SAMOA) Ltd. PrimeSensor Japan K.K. has been renamed PixArt Japan K.K. since February 2012.

Remark 4: YuanXing Technology (Penang) SDN. BHD. has been renamed PixArt Imaging (Penang) SDN. BHD. since November 2012.

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging Inc. And Subsidiaries

Notes To Financial Statements

1. HISTORY AND ORGANIZATION

PixArt Imaging Inc. (the "Company") was incorporated under the Company Law of the Republic of China on July 13, 1998. The numbers of employees as of December 31, 2012 and 2011 were 348 and 202, respectively. The Company is specializing in CMOS image sensors and related IC design, research, production, and sales.

The Company's shares were previously registered and traded as the "Emerging Stock" on Taiwan's GreTai Securities Market (formerly known as OTC Market) starting July 2003 and have been listed and publicly traded on Taiwan's GreTai Securities Market since May 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in conformity with requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

Summary of significant accounting policies is as follows:

General Descriptions of Reporting Entities

(1) Overview of Consolidation

Investees in which the Company, directly or indirectly, holds more than 50% of voting rights or less than 50% of voting rights but has de facto control, are accounted for under the equity method and consolidated into the Company's financial statements. The consolidated entities are as follows:

A. The parent company: PixArt Imaging Inc. (the "Company")

B. The consolidated subsidiaries are listed as follows:

English Translation of Financial Statements Originally Issued in Chinese**PixArt Imaging Inc. And Subsidiaries****Notes To Financial Statements (Continued)**As of December 31, 2012

Investor	Subsidiary	Nature of business	Percentage of ownership (%)	Note
The Company	PixArt International (BVI) Ltd.	Investment activities	75.35	2
The Company	PixArt International (SAMOA) Ltd.	Investment activities	100	-
The Company	Yuan-Xiang Investment Corp.	Investment activities	100	-
The Company	Yuan-Feng Investment Corp.	Investment activities	100	-
PixArt International (SAMOA) Ltd.	ePlan Technology (SAMOA) Ltd.	Technical Support activities	100	3
PixArt International (SAMOA) Ltd.	PixArt Imaging (USA), Inc.	Technical Support activities	100	4
PixArt International (SAMOA) Ltd.	PixArt Imaging (Penang) SDN. BHD.	Technical Support activities	100	5
Yuan-Xiang Investment Corp.	PrimeSensor Technology Inc.	IC design	37.24	1
Yuan-Xiang Investment Corp.	PixArt International (BVI) Ltd.	Investment activities	24.65	2
Yuan-Xiang Investment Corp.	Yuan-Yau Technology Inc.	Manufacture	100	-
Yuan-Feng Investment Corp.	PrimeSensor Technology Inc.	IC design	15.19	1
PixArt International (BVI) Ltd.	YuanXiang Technology (SAMOA) Ltd.	Investment activities	100	-
PrimeSensor Technology Inc.	YuanSheng Investment (SAMOA) Ltd.	Investment activities	100	-
PrimeSensor Technology Inc.	PrimeSensor Technology (SAMOA) Ltd.	Investment activities	100	-
YuanXiang Investment (SAMOA) Ltd.	PixArt Japan K.K.	Technical Support activities	100	6

English Translation of Financial Statements Originally Issued in Chinese**PixArt Imaging Inc. And Subsidiaries****Notes To Financial Statements (Continued)**As of December 31, 2011

Investor	Subsidiary	Nature of business	Percentage of ownership (%)	Note
The Company	PixArt International (BVI) Ltd.	Investment activities	67.57	2
The Company	PixArt International (SAMOA) Ltd.	Investment activities	100	-
The Company	Yuan-Xiang Investment Corp.	Investment activities	100	-
The Company	Yuan-Feng Investment Corp.	Investment activities	100	-
Yuan-Xiang Investment Corp.	PrimeSensor Technology Inc.	IC design	16.13	1
Yuan-Xiang Investment Corp.	PixArt International (BVI) Ltd.	Investment activities	32.43	2
Yuan-Xiang Investment Corp.	Yuan-Yau Technology Inc.	Manufacture	100	-
Yuan-Feng Investment Corp.	PrimeSensor Technology Inc.	IC design	8.06	1
PixArt International (BVI) Ltd.	YuanXiang Technology (SAMOA) Ltd.	Investment activities	100	-
PrimeSensor Technology Inc.	YuanSheng Investment (SAMOA) Ltd.	Investment activities	100	-
PrimeSensor Technology Inc.	PrimeSensor Technology (SAMOA) Ltd.	Investment activities	100	-
YuanXiang Technology (SAMOA) Ltd.	PixArt Japan K.K.	Technical Support activities	70	6
YuanSheng Investment (SAMOA) Ltd.	PixArt Japan K.K.	Technical Support activities	30	6

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging Inc. And Subsidiaries

Notes To Financial Statements (Continued)

Note1 : Although the Company held less than 50% of voting rights of PrimeSensor Technology Inc in 2011, the Company held all seats of the board of PrimeSensor Technology Inc. And the Company held more than 50% of voting rights of PrimeSensor Technology Inc. in 2012. Accordingly, PrimeSensor Technology Inc. was included as a subsidiary in the Company's consolidated financial statements for the years ended December 31, 2011 and 2012.

Note2 : The Company and its subsidiary, Yuan-Xiang Investment Corp. acquired PixArt International (BVI) Ltd. 's new shares in 2012 and 2011 in the amounts of NT\$42,850 thousand and NT\$26,736 thousand, respectively. The company and Yuan-Xiang Investment Corp. ownership of PixArt International (BVI) Ltd. has become 75.35% and 24.65%, respectively, after the share acquisition.

Note3 : PixArt International (SAMOA) Ltd. established ePlan Technology (SAMOA) Ltd. in February 2012.

Note4 : PixArt International (SAMOA) Ltd. established PixArt Imaging (USA), Inc. in January 2012.

Note5 : PixArt International (SAMOA) Ltd. established Yuan Xiang Technology (Penang) SDN. BHD. in June 2012, and the Company has been renamed PixArt Imaging (Penang) SDN. BHD. since November 2012.

Note6 : On February, 2012, YuanSheng Investment (SAMOA) Ltd. disposed PixArt Japan K.K.'s shares to YuanXiang Technology (SAMOA) Ltd.; PrimeSensor Japan K.K. has been renamed PixArt Japan K.K. since February 2012.

C. All subsidiaries of the Company have been included as consolidated entities in the consolidated financial statements.

(2) Principles of Consolidation

A. The consolidated financial statements were prepared in accordance with SFAS No. 7. The transactions between the consolidated entities were appropriately eliminated in the consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

PixArt Imaging Inc. And Subsidiaries

Notes To Financial Statements (Continued)

B. Investees in which the Company and subsidiaries hold more than 50% of voting rights, including those that are exercisable or convertible, are accounted for under the equity method and shall be consolidated, since the Company and subsidiaries are considered to possess control. An entity shall also be consolidated if the Company owns any of the following :

- a. power over more than half of the voting rights by virtue of an agreement with other investors;
- b. power to govern the financial, operating and human resources policies of the entity under a statute or an agreement;
- c. power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- d. power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body;
- e. other indications of control possession.

(3) Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity date that they are subject to an insignificant risk of changes in value from fluctuations in interest rates. Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or less are considered to be cash equivalents.

(4) Foreign Currency Transactions and Translation of Financial Statements denominated in Foreign Currency

A. The Company maintains its accounting records in New Taiwan dollars ("NT Dollars" or "NT\$"), the national currency of the R.O.C. Transactions denominated in foreign currencies are recorded in NT Dollars using the exchange rates in effect at the dates of the transactions. Non-derivative transactions denominated in foreign currencies are recorded in NT Dollars using the exchange rates in effect at the dates of the transactions. When a transaction is settled in a subsequent accounting period, the monetary assets and liabilities denominated in foreign currencies are remeasured on the balance sheet date using the exchange rates prevailing as at that date, with the resulting exchange gains or losses included in earnings.

English Translation of Financial Statements Originally Issued in Chinese
PixArt Imaging Inc. And Subsidiaries
Notes To Financial Statements (Continued)

12. SEGMENT FINANCIAL INFORMATION

1. General information :

The Company mainly engages in COMS image sensor and related IC design, research, production, and sale activities. Its chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company and subsidiaries are aggregated into a single segment.

2. Operations in different geographic areas:

(1) Revenue from customers :

	For the year ended December 31,	
	2012	2011
	Amount	Amount
Country	(NT\$'000)	(NT\$'000)
Taiwan	2,187,293	1,503,774
China (Hong Hong)	1,039,469	1,525,261
Japan	245,448	391,790
American	2,861	10,280
Other	34,866	18,264
Total	3,509,937	3,449,369

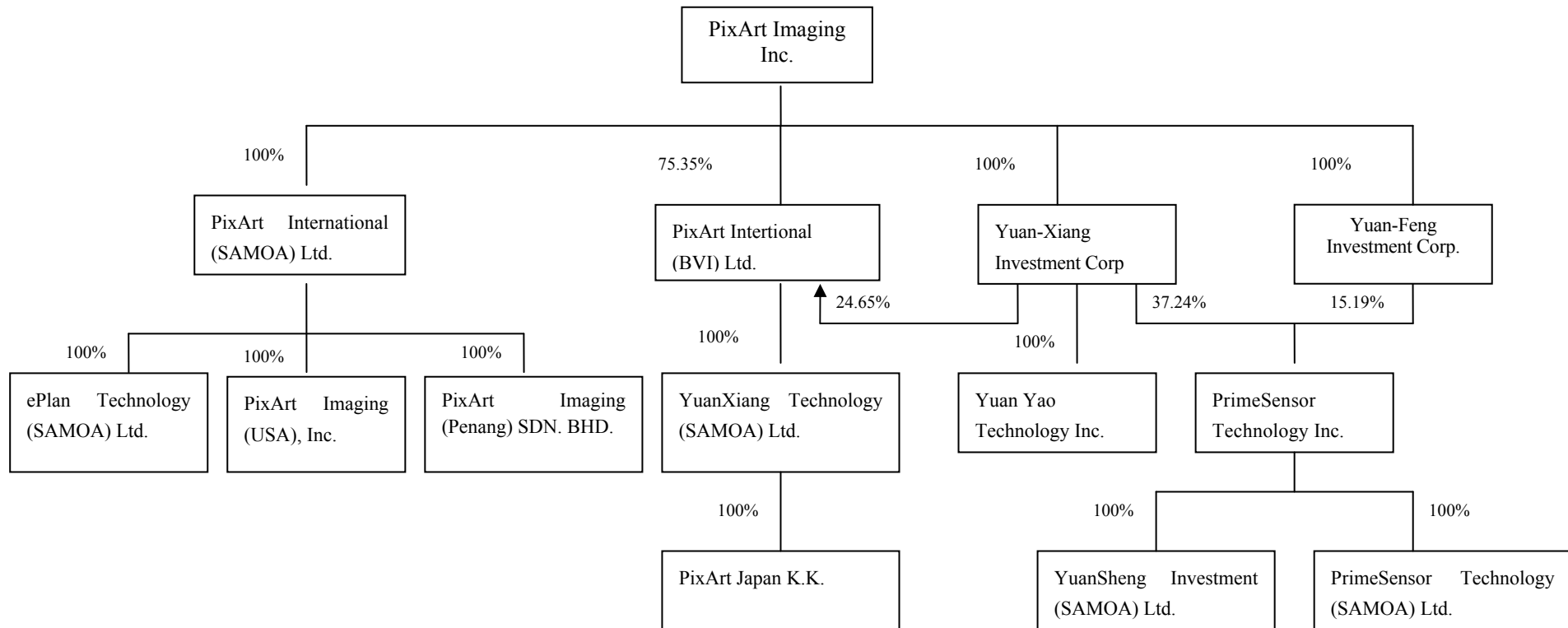
(2) Non-current assets

	2012.12.31	2011.12.31
	Amount	Amount
Country	(NT\$'000)	(NT\$'000)
Taiwan	865,314	655,667
Japan	85	504
American	8,062	-
Malaysia	15,464	-
Total	888,925	656,171

VIII 、Special Notes

1. Summary of Affiliated Enterprises

(1) Organization Chart



(2) Information on Affiliated Enterprises :

Dec.31 2011

Company name	Date of incorporation	Address	Paid-in (Authorized)capital	Major business
PixArt International (BVI) Ltd.	93/8/11	B.V.I.	US\$ 3,749,000	Investment
PixArt International (SAMOA) Ltd.	93/8/11	SAMOA	US\$ 10,330,000	Investment
Yuan-Xiang Investment Corp	97/4/25	Taiwan	NT\$ 400,000,000	Investment
Yuan-Feng Investment Corp.	97/4/25	Taiwan	NT\$ 50,000,000	Investment
PrimeSensor Technology Inc.	97/5/28	Taiwan	NT\$ 131,689,180	IC design
Yuan Yao Technology Inc.	100/9/8	Taiwan	NT\$ 20,000,000	Manufacturing
YuanXiang Technology (SAMOA)Ltd.	98/1/16	SAMOA	US\$ 2,824,000	Investment
YuanSheng Investment (SAMOA) Ltd.	98/1/16	SAMOA	US\$ 1	Investment
ePlan Technology (SAMOA) Ltd.	101/2/17	SAMOA	US\$ 400,000	Technological services
PixArt Imaging (USA), Inc.	101/1/31	USA	US\$ 1,000,000	Technological services
PixArt Imaging (Penang) SDN. BHD.	101/1/9	PENANG	MYR 10,000,000	Technological services
PixArt Japan K.K.	98/2/27	JAPAN	JPY 50,000,000	Technological services
PrimeSensor Technology (SAMOA)Ltd.	98/12/31	SAMOA	US\$ 460,0000	Investment

(3) Data for Common Shareholders of Treated as Controlled Companies and Affiliates: None.

(4) Business of PixArt and its Affiliated Enterprises:

The major businesses of our company and related subsidiary are CMOS image sensor related IC design and other investment business, please refer to (2) Major business of Information on affiliated enterprises.

(5) Directors, Supervisors and President of Affiliated Enterprises: :

Dec.31 2011

Company Name	Title	Name and Representative	Shareholding	
			Shares	(%)
PixArt International (BVI) Ltd.	Director	PixArt Imaging Inc. (Representative :Sen-Huang Huang)	2,825,000	75.35 %
PixArt International (Samoa) Ltd.	Director	PixArt Imaging Inc. (Representative :Sen-Huang Huang)	10,330,000	100%
Yuan-Xiang Investment Corp.	Director	PixArt Imaging Inc. (Representative:Sen-Huang Huang)	40,000,000	100%
	Director	PixArt Imaging Inc. (Representative:Chia-Lin Chang)		
	Director	PixArt Imaging Inc. (Representative: Mei-Wei Lo)		
	Supervisor	PixArt Imaging Inc. (Representative: Hsiu-Chen Tsai)		
	President	Sen-Huang Huang		
Yuan-Feng Investment Corp.	Director	PixArt Imaging Inc. (Representative:Sen-Huang Huang)	5,000,000	100%
	Director	PixArt Imaging Inc. (Representative:Chia-Lin Chang)		
	Director	PixArt Imaging Inc. (Representative: Mei-Wei Lo)		
	Supervisor	PixArt Imaging Inc. (Representative: Hsiu-Chen Tsai)		
	President	Sen-Huang Huang		
PrimeSensor Technology Inc.	Director	Yuan-Xiang Investment Corp. (Representative:Sen-Huang Huang)	4,904,033	37.24%
	Director	Yuan-Xiang Investment Corp. (Representative: Wen-Cheng Yen)		
	Director	Yuan-Xiang Investment Corp. (Representative: Mei-Wei Lo)		
	Supervisor	Yuan-Xiang Investment Corp. (Representative: Hsiu-Chen Tsai)		
	President	Sen-Huang Huang		
Yuan Yao Technology Inc.	Director	Yuan-Xiang Investment Corp.	2,000,000	100%

	Director	(Representative:Sen-Huang Huang) Yuan-Xiang Investment Corp..		
	Director	(Representative: Wei-Chung Wang) Yuan-Xiang Investment Corp.		
	Supervisor	(Representative: Mei-Wei Lo) Yuan-Xiang Investment Corp.		
	President	(Representative: Hsiu-Chen Tsai) Sen-Huang Huang		
YuanXiang Technology (SAMOA)Ltd.	Director	PixArt International (BVI) Ltd. (Representative:Sen-Huang Huang)	2,824,000	100%
YuanSheng Investment (SAMOA) Ltd.	Director	PrimeSensor Technology Inc. (Representative:Sen-Huang Huang)	1	100%
ePlan Technology (SAMOA) Ltd.	Director	PixArt International (Samoa) Ltd. (Representative:Sen-Huang Huang)	400,000	100%
PixArt Imaging (USA), Inc.	Director	PixArt International (Samoa) Ltd. (Representative:Sen-Huang Huang)	10,000	100%
PixArt Imaging (Penang) SDN. BHD.	Director	PixArt International (Samoa) Ltd. (Representative:Sen-Huang Huang)	10,000,000	100%
PixArt Japan K.K	Director Director Director Supervisor	Lucas Oliver-Frost Sen-Huang Huang Hsiu-Chen Tsai Mei-Wei Lo	—	—
PrimeSensor Technology (SAMOA)Ltd.	Director	PrimeSensor Technology Inc. (Representative:Sen-Huang Huang)	460,000	100%

Representation Letter

The entities included in the consolidated financial statements as of December 31, 2012 and for the year then ended prepared under the R.O.C.'s Statement of Financial Accounting Standards No.7 (referred to as "Consolidated Financial Statements") are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as "Combined Financial Statements"). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

PixArt Imaging Inc.

Chairman: Sen-Huang Huang

March 19, 2013

2. Status of Private Placement of Securities : None

3. Acquisition or Disposal of PixArt's shares by Subsidiaries : None

4. Other Necessary Supplements: None

5. Events regulated in Article 36-2-2 of the Securities and Exchange Laws that will materially affect shareholders' equity or the share price: None

PixArt Imaging Inc.

Chairman : Sen-Huang Huang